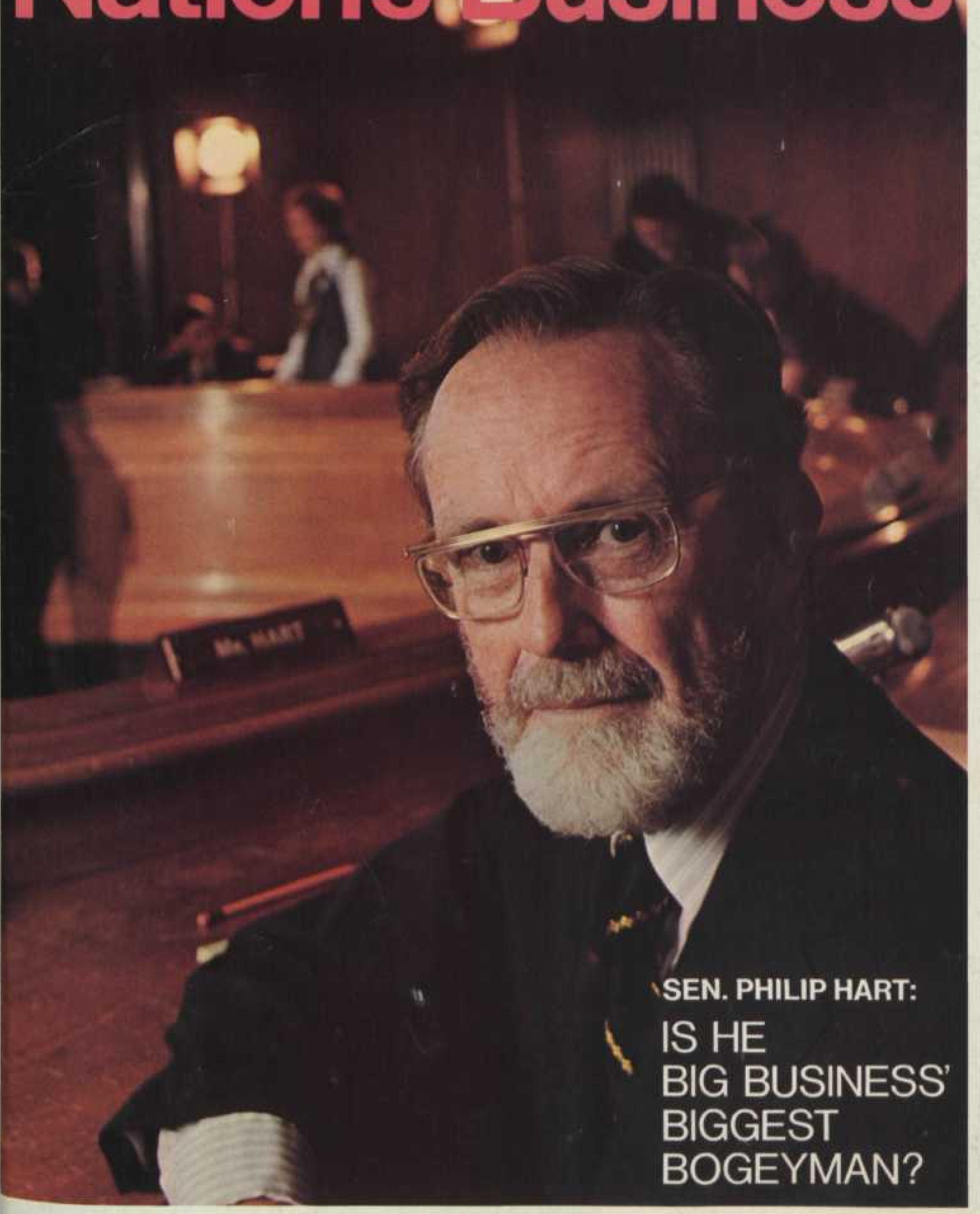
A USEFUL LOOK AHEAD FROM WASHINGTON

NOVEMBER 1973

Nation's Business



SEN. PHILIP HART:

IS HE BIG BUSINESS' BIGGEST BOGEYMAN?

Carpet of Antron® Still Looks New After 8 Million Welcomes

Unique Soil-Hiding Nylon Helps Tampa Airport Stay "Most Beautiful"

TAMPA, FLA.—Called "The nation's most beautiful air terminal" when it opened in 1971, Tampa International Airport shows no sign of losing its title.

The main terminal is like a six-acre welcome mat. Carpet with pile of Antron* nylon covers high-traffic areas.

Yet, despite the tramplings of 8 million visitors to date, the carpet looks as unworn and unsoiled as it did new.

"Antron" carpet fiber is special. It's made with hollow cores which scatter light in a way that conceals soil build-up. Even spots tend to blend into the overall color and texture of the carpet.

The airport planners cite economy as a further reason for specifying "Antron". So far there has been no need for wet shampooing, only daily vacuuming and occasional spot cleaning. Compared to hard-floor maintenance, savings are substantial, they report.

Carpet of "Antron" is used in other types of commercial buildings with similar results. Information is available from Du Pont, Rm. NB, Centre Rd. Bldg., Wilmington, DE 19898.

*Du Pont registered trademark. Du Pont makes fibers, not carpets.

DU PONT

The Great Simplifier.

A single business insurance policy that can do the job of two, three, maybe even four other policies.

The Great Simplifier is what businessmen are calling Allstate's Business Package Policy. Because it makes insuring your business a lot less complicated.

Let's say right now you've got three separate policies covering fire, burglary and robbery, and liability. OK, we'll give you comparable coverage in one convenient policy and probably save you some money in the process.

You can get as little or as much additional coverage as you need. No overlapping coverage. No costly gaps in protection. One premium. One agent. One alert, up-to-date company.

So next time you need a quote on your business insurance, give us a call. Or come see us at Sears or an Allstate office.

You don't need a whole bunch of business insurance policies. Just one good one. The Great Simplifier.

It sure makes things simpler.

Allstate

You're in good hands.

Nation's Business

Costello

6 EXECUTIVE TRENDS

How to prevent computer fraud; why executives are promoted; if you'd like a piece of the trade with Red China; where the shoppers shop—and why

34 80 The World of Industry

9 PANORAMA OF THE NATION'S BUSINESS

How youngsters see their parents' work; Philip Morris' yardsticks for support of art; Brunswick puts out an annual report for its employees

15 SOUND OFF: SHOULD WE RESTORE THE DRAFT?

Aug 16 Sound off Response: Not High on Capitol Hill Investigate

21 WHAT'S UP IN EXECUTIVE PAY

Question marks cloud the future of managerial compensation levels, but a survey shows salaries and bonuses have been comfortably on the rise

26 SEN. PHILIP HART: IS HE BIG BUSINESS' BIGGEST BOGEYMAN?

V.L.

The Michigan Democrat wants to penalize corporate success with dismemberment, but—would you believe it?—he asserts that he's really out to save free enterprise

36 TAKING THE JOLTS OUT OF MOVING

P.M.

Personally handling sticky details of shifting his home and family can gum up the work of an executive; here's what companies are doing about that problem

42 LESSONS OF LEADERSHIP: SAMUEL NEAMAN OF McCRORY CORP.

P.M.

A veteran of Dunkirk, born near the Sea of Galilee, he has been a success in four, varied business careers; this interview will give you an idea why

50 THIS MONTH'S GUEST ECONOMIST

P.M.

Dilemmas involved in our government's slapping export controls on commodities that are in short supply are discussed by Stanley Nehmer, of Wolf and Co.

Cover photograph by Dennis Brack—Black Star

Nation's Business is published monthly at 1615 H Street N.W., Washington, D.C. 20006. Subscription rates: United States and possessions $34.75 for three years; Canadian $14 a year. Printed in U.S.A. Second class postage paid at Washington, D.C., and at additional mailing offices.

Nation's Business is available by subscription only. **Postmaster:** please send form 3579 to 1615 H Street N.W., Washington, D.C. 20006.

Editorial Headquarters—1615 H Street N.W., Washington, D.C. 20006. **Circulation Headquarters**—1615 H Street N.W., Washington, D.C. 20006. **Advertising Headquarters**—711 Third Avenue, New York, N.Y. 10017. **Atlanta:** James M. Yandle, 62 Perimeter Center East; **Chicago:** Herbert F. Ohmeis Jr., 233 North Michigan Ave.; **Cleveland:** Gerald A. Warren, 1046 Hanna Building; **Detroit:** Robert H. Gotshall, 825 Fisher Building; **New York:** Raymond P. Murray, 711 Third Avenue; **Philadelphia:** Herman C. Sturm, 1034 Suburban Station Building; **San Francisco:** Robert Zunich, Zunich & Follansbee, 465 California Street; **Los Angeles:** Jack Follansbee, Zunich & Follansbee, 711 South Vermont Avenue.

VOLUME 61 | NUMBER 11 | NOVEMBER 1973

PUBLISHED IN WASHINGTON, D.C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

54 THE GREAT EMPLOYMENT BOOM
While the miseries of inflation have been stealing headlines, another momentous economic story has been largely untold: "fantastic increases" in the number of jobs

58 CONGRESS' QUALITY CONTROL EXPERTS
When Capitol Hill wants to learn whether we're getting what we're paying for, it turns to the inquisitive people at the General Accounting Office

62 SPEAKING OUT FOR BETTER OUTPUT
"Would you hire you?" inquires a federal commission, as it tries to get across the message that improving productivity of America's workers is everybody's job

70 JAPAN: A CHANGING COMPETITOR
His countrymen, writes the president of a major Japanese chemical firm, are beginning to realize that ever rising exports are not necessarily beneficial

74 WHY CUSTOMERS COME BACK TO BUY AGAIN
They're your most valuable inventory, this article says, arguing that if you keep in touch with them—and if you apply the Golden Rule—your business will prosper

78 BUSINESS: A LOOK AHEAD
A dirty deal for a top-level industrial group; a new source of loans for small firms; danger from an OSHA ruling on hazards; U.S. exporters' unique handicap

80 EDITORIAL: THE PUNDITS AND THE PEOPLE
The public interest has been at stake—and has been served—in crucial votes

ALSO . . .
. . . Memo From the Editor, page 4; Sound Off Response, page 16; What Readers Want to Know, page 57; Letters, page 66; Advertisers in This Issue, page 76 . . .

memo from the editor

Businessmen reading Sen. Philip Hart's reasoning for introducing legislation that could dismantle some of the nation's most successful companies can be pardoned if they're reminded of Adlai Stevenson's election night remark, borrowed from Abraham Lincoln, that he was "too old to cry, but it hurts too much to laugh."

For it is a curious paradox: U.S. business is being exhorted by government to do more in order to keep employment up and the economy perking while, on the other hand, it is constantly being attacked for being too successful.

Sen. Hart (see page 26) has introduced legislation for a proposed "Industrial Reorganization Act" which would force corporations to defend themselves whenever they reach a size—or level of profitability—that the government will have decided in advance constitutes a threat to competition. His Senate Antitrust and Monopoly Subcommittee has been holding hearings on the bill for two years and has more hearings scheduled in 1974.

The Michigan Senator claims a proposed commission and special court which would oversee the bill's particulars are really a mechanism to preserve the free enterprise system by whacking back some big companies and preventing others from getting bigger. Without these steps, he says, public opinion eventually would demand really tough government controls over what he terms too much concentration of economic power.

Most American businessmen feel the government's control over business is already tight enough—or too tight.

For example, antitrust laws are blamed to a large degree for the imbalance in our balance of payments. Under them, it is hard for U.S. companies to do the kind of export job our economy demands against foreign competition, which is in many instances subsidized by governments.

This idea that bigness is bad and that success should be penalized doesn't square with American tradition. Nor does it square with the facts of current business life. It's awfully difficult to seriously argue that there isn't keen competition among the automobile manufacturers, the electrical machinery producers, the computer makers, the steel companies and the chemical and drug firms.

Sen. Hart knows he doesn't have too much support in Congress for his bill right now. But this doesn't discourage him. He says he'll keep right on trying. For this reason, all businessmen will be interested in the Senator, his bill, and his views, as related to Associate Editor Vernon Louviere. While big companies are the main target of the proposed legislation, the bill's language could be interpreted to blanket a lot of smaller ones, too.

• • •

If you're an executive, you'll be interested in what an annual study by Sibson & Co. shows about what's been happening in the field of executive compensation (page 21).

More and more, bonuses are being tied to performance—usually meaning reaching a target set by top management.

As the article points out, executives don't have it made regardless of the condition of the economy. In bad times, the ax usually falls first in the executive suite.

• • •

There is one aspect of executive life which more and more companies are trying to ease. That's the pain of sorting out personal affairs when transferred (especially, what to do with the house).

Relocation worries can hurt an executive's performance for months—and that's a cost item for any company.

"Taking the Jolts Out of Moving" (page 36) reports on what some companies are doing to minimize such costs, and will give you an idea of how your firm stacks up in the relocation benefits area.

Jack Wooldridge

"The copiers we use have to wear as well as the jeans we make. That's why they had to be SCM."

Norm DuCette, Purchasing Agent, Levi Strauss & Co.

"Back in the Gold Rush days, when Pony Express helped us communicate," muses Norm DuCette, "you couldn't count on reliability. Today it's different. We need about 80,000 copies a month, so we need equipment we can depend on.

"You see," Norm continues, "we're a people-oriented company. And we know the best way to keep people operating efficiently is to make sure they have machines that operate efficiently."

—How do you know when the machines aren't running well?

"That's easy," answers Norm. "By the amount of gripes I get from my people. And since I've installed SCM copiers I get only smiles."

—You mean your SCMs never need service?

"I didn't say that," Norm counters. "I meant they're easy to operate and reliable. But while you're on the subject, I'd say that SCM service is excellent. Superior, as a matter of fact, to any other company we've dealt with."

—What about copy quality?

"Above average."

—And range of machines?

"We only need two models now, but SCM has a full line that can accommodate just about any copying need we'd ever have."

—How about cost?

"As I said before, our SCMs have to be able to take it and," Norm smiles, "they do. Their dependability saves our people time. And time is money.

"Let's face it," Norm concludes, "my job is to make sure that Levi Strauss gets the best bang for their buck–and SCM is giving it to us."

SCM® COPIER PRODUCTS
SCM CORPORATION

The complete copier company

executive trends

BY JOHN COSTELLO
Associate Editor

How to prevent computer fraud

They're still at it—those slick sleight-of-hand artists who rifle the till via electronics.

Not long ago, a New York bank was nicked for $1.5 million.

Police charge that a teller milked accounts and covered up by feeding false data into the bank's computer.

"But you can prevent fraud," says Jack A. Arnow, president, Interactive Data Corp., Waltham, Mass., "by using a few simple security rules."

Here's what he suggests:

1. Let as few people as possible use your computer.
2. Make them give the proper password—or better yet, a series of two or three—before the computer will do anything.
3. Limit the number of miscues. For example, the computer should holler for help on the third attempt in a row to use the wrong password.
4. Change passwords often.
5. Make everyone log in and out when he uses the computer.
6. Check the log frequently. If a program takes longer to run than it should, maybe it has been tampered with.
7. Give no one blanket access to computer data. Restrict users to what they have a right to know. Then, for example, production personnel can't tamper with financial records.
8. Keep tight security over the computer center itself.
9. Use a random monitoring system to spot-check what your computer's doing.

One firm, Computer Audit Systems, Inc., East Orange, N.J., offers a complete EDP auditing package. The U.S. Navy, which has about 1,100 computer installations, uses it and so does the U.S. Comptroller of Currency, among others.

"A good computer auditing system can detect many frauds or errors that can cost businesses millions of dollars," says Joseph J. Wasserman, the New Jersey firm's president.

"Yet, at least half of the companies using computers don't have one."

Performance isn't always what counts

That's the way many U.S. executives feel.

And maybe they should know.

Recently, American Management Associations, Inc., polled some 2,800 businessmen. Among the queries: How do you get promoted—and why?

Fifty-two per cent assert it's the result of a "largely subjective or arbitrary decision by superiors," although 48 per cent attribute it to "an objective evaluation of individual merit."

Educational background and qualifications rank high as the most likely reason for getting a bigger job.

And so do "personal contacts—who you know."

Yet, executives seem to approve the results of the way promotions are handled. Only 21 per cent are "not satisfied" with their careers.

Fifty per cent are "satisfied."

And 29 per cent, "very satisfied."

Don't expect anything overnight

Not if you're doing business with Red China.

Seven state trading companies do virtually all of Peking's buying and selling. And if you're an exporter, that's whom to write, says a useful Pan American World Airways booklet, "Trade With China."

When you do, describe your products, in metric measurements if possible. But don't stop there.

Give the basic facts about your firm, too—its founding, growth, current operations and a who's who of its top officers.

Some experts say don't mention price. That's better to bring up after

you get a nibble—if any—from Peking, they advise.

But do offer to provide more data and samples, where suitable, if the Chinese wish. And have a big shot sign the letter, the booklet says. The higher the title, the warmer the reception.

Then wait.

"Any response may take a long time," the booklet warns.

If your sales pitch does score, you'll probably get an invite to the Canton Trade Fair. It's held twice yearly—in the fall, Oct. 15-Nov. 15, and spring, April 15-May 15. Attendance is by invitation only.

Always address your mail to the People's Republic of China, or China, the Pan Am publication advises.

Never use "Mainland China," "Continental China" or "Communist China." Those are no-no's, and your letter will be returned unopened.

Living longer and enjoying it . . .

So the dollar is shrinking like a cheap bikini, and your butcher sells steak by the carat, not the pound? And the paper work is piling up again?

Cheer up.

The Institute of Life Insurance has good news for you. Every day, in every way, Americans are living longer and longer, its "Life Insurance Fact Book 1973" points out.

Here's the current life expectancy of U.S. men and women:

AGE	YEARS	
	Men	Women
40	31.7	37.8
45	27.4	33.3
50	23.3	28.9
55	19.5	24.8
60	16.1	20.7
65	13.2	16.9

Of course, there is a catch.

"The measure of life expectancy," ILI cautions us, "refers to an entire group and cannot be taken to indicate how long a particular individual may expect to live."

Where shoppers shop—and why

Not because of the reasons you might think.

For example, image and reputation sometimes can mean more than price.

And most shoppers (70 per cent), the Mass Retailing Institute finds, seldom travel more than five miles from home, sweet home.

So if you're a retail executive, that area is your prime target.

But you had better work hard on it. Because the same MRI study shows that shoppers are fickle.

About four out of 10 have switched allegiances in the last few years.

What tempts them to do so?

"Good price, quality and selection, mostly in the apparel and housewares categories," MRI's survey shows.

What do they look for most?

Well, 72 per cent comparison-shop for quality, MRI finds. Next (68 per cent) comes price.

"More than half the people whose shopping habits have changed in the recent past," MRI says, "confess to greater price consciousness and more intensive discount department store patronage."

If you're thinking of a town house . . .

More and more people are.

High prices for single homes have boosted town-house sales.

If you tried one, would you like it?

Well, the Urban Land Institute took a poll. Here are reasons given by town-house dwellers for their liking their homes, and the percentages who gave those reasons:

Best Features of Town House Living

	East	West	Total
Easy maintenance	57.8%	67.0%	60.5%
Dollar value	44.0	31.9	40.4
Good neighbors	30.7	10.5	24.6
Good design	24.9	17.3	22.6
Recreation	10.7	25.6	15.2
Environment	11.9	18.2	13.2
Good location	14.4	8.3	12.5
Security	7.9	19.0	11.2
Privacy	9.6	12.7	10.5

Maintenance is a bigger pain in the West, the Urban Land Institute points out. For one thing:

"Much of California has a dry climate; lawns and plants must be watered almost daily for most of the year."

Three out of four residents were reasonably satisfied with town-house living. One out of four were unhappy.

the world of industry

Where Uncle Sam's R&D Dollars Go

While California is still the leading recipient of federal research and development contracts, its share continues to decline and Maryland has moved into second place.

The reduction in R&D funding in California, and in New York, which formerly was second, is due to space program cutbacks. Maryland's ascendance is a reflection of increased use of the federal government's own laboratories (there are a number in Maryland).

The National Science Foundation estimates that 28 per cent of federal R&D funding—\$4.8 billion—will be "intramural" (in such laboratories) this fiscal year, the highest this share has been since the late Fifties. The other \$12.6 billion will go elsewhere, with industrial firms receiving \$8.2 billion, and colleges and universities \$1.9 billion.

Percentagewise, the 10 leading states in 1972, compared to 1963, were:

State	1963	1972
California	35.1	21.4
Maryland	5.5	8.1
New York	7.7	6.6
Florida	2.8	6.3
Massachusetts	4.2	5.9
New Jersey	3.3	4.7
Missouri	1.9	4.2
Texas	3.2	4.0
Pennsylvania	3.6	3.9
Washington	2.7	3.3
All other states	30.0	31.6

•

Hammering Away, No Matter the Weather

Contractors on future federal building projects frequently will have to do more about the weather than just talk about it.

New General Services Administration rules require contractors to take temporary weather protection

measures—such as using plastic sheeting—if they appear needed to keep construction projects going whether it rains, sleets or snows.

Arthur F. Sampson, GSA administrator, says:

"When a review indicates that weather protection provisions are necessary and feasible, contracts with construction managers will include requirements for temporary protection of such work areas as building floor areas, scaffolds and . . . fabrication sites."

GSA officials contend that the additional expense of weather protection will be offset by fewer extra costs due to construction delays.

Last winter in Buffalo, N.Y., a synthetic natural gas plant being built for Ashland Oil, Inc., was encased in a football field-size vinyl plastic bubble. The company said use of the bubble was economically advantageous—construction worker productivity was greatly improved.

Ashland plans to use the bubble, manufactured by Environmental Structures, Inc., of Cleveland, Ohio, on other cold weather construction projects. Ashland officials conclude that the technique of covering large sites during long periods of inclement weather may become an accepted construction industry practice.•

How's That Again? An Electronic What?

Not sure whether to raise a fuss over noise?

What's too loud has always been a source of arguments, but such squabbling can be settled with a $260 electronic noise control device developed by a British firm, Custom Electronic Associates Ltd.

It makes one version for use in industrial environments where noise is a problem, and another for such places as bustling offices, discotheques, and homes where there are teen-agers.

Called the "Electronic Orange," the device is a sensor that can be set for noise thresholds between 65 and 120 decibels. Once the noise exceeds the limit, within a preselected time of two to 20 seconds the sensor unit will automatically cut off the power of offending machinery.

In the nonindustrial version, a companion part of the unit, a plastic orange ball, lights up simultaneously. In the industrial version, the indicator can be a siren, a whistle, or whatever suits the customer's requirements.•

Putting the Muscle on Those Barnacles

Ever since man started going to sea in ships, the search has been on for a bottom coating that would, over a long period of time, frustrate barnacles and other hull-fouling parasites.

Now, surface chemistry experts from Calspan Corp., Buffalo, N.Y., predict the development of nontoxic coatings for ship bottoms, docks, drilling rigs, etc., that might be effective for up to 10 years.

Antifouling coatings have concentrated generally on poisoning the parasites, but scientists from the corporation, formerly the Cornell Aeronautical Laboratory, conclude that future coatings will attack the problem by chemically modifying a protein-heavy film that forms when things are immersed in seawater.

Larvae of the fouling organisms adhere to and thrive on this film. So the search is on for a way to change the film's "critical surface tension" to make it slippery.

Even a waxed surface doesn't help, Calspan researchers found. One "boat wax" checked contained chemicals that made adhesion even quicker than normal.

Advantages of a really slippery surface for ships' bottoms are obvious—greater speed, lower fuel consumption and less frequent, expensive drydocking.•

Speedier Mail Delivery for Office Buildings

The U.S. Postal Service hopes VIM will put new vigor into office building mail delivery.

VIM is Vertical Improved Mail, a central mail room system being developed by the Postal Service and in use selectively.

One VIM technique involves separation of mail for each floor in the

continued on page 72A

panorama of the nation's business

By VERNON LOUVIERE
Associate Editor

What Does Mom Do? Plays "Volly Ball With Bouses"

"I think my mother rites [sic] a lot of words on paper as hard as she can. mr. Patterson is nice. my mom makes money and drinks diet Dr. Peppers."

Seven-year-old Mark Lewis' mother, Mrs. Louise Lewis, is a secretary with the American Hospital Supply Corp. of Evanston, Ill. The company magazine, *Scope*, asked Mark and other children of AHSC employees to write their impressions of their parents' jobs. The results were amusing.

Michelle Harautuneian, age 7, wrote of her father: "Studys math. works out problems. finds things out. Studys all sorts of things to study and shows them to hes bos. Maybe makes stuf. dus all sorts of difrent pappers. when he cant figer out a math problem he dus it on hes computer. Exsperaments. ansers question."

For Angi Paxton, age 5, mother's work day is a busy one. Says Angi: "Mom makes teeth. Mom makes wires. She looks for cameras and movie films. She sits and eats lunch all day. She makes stickers. Mom sits down and puts her head on her arms."

Karen Chapman, 8, drew this picture to illustrate her concept of her father's work at American Hospital Supply Corp. He's a sales manager.

Eight-year-old Christine Ronayne's mother also is a secretary. Christine wrote: "Sometimes my mom comes home tried and has a headache. She talks to the girls and guys a lot. And she laughs a lot. She types, anwers telephones, works a lot. She has coffee breaks, plays volly ball with the bouses, and goes out for lunch. And last but not least she is very active."

Beth Bierman, age 12, commented: "My daddy flies on buseniss trips to different parts of Canada and U.S.A. He enjoys his work and also has fun at the same time. Like when he goes to conventions he works and then a couple of guys and him play golf. He also thinks about us when he's away, how I know is because he calls us and gives us things when he comes back like canady, gum, lifesaver and best of all a big hug and kiss."

Another secretary's son, David Barrett, age 11, wrote: "She takes down messages from executives in short hand (or letters) and types them up. She can type really fast. For moneys sake she doesn't make many mistakes. She also delivers mail sometimes. She types out orders for hyperalamentation kits and other neat stuff. She also takes phone calls and some of them are mine!"

Michelle Wetzel, age 10, put it in a few words: "Mommy talks, calls, files, sends twxes, tries to help people, works." •

Philip Morris: In Partnership With Art

When it comes to art, Mark Twain and Philip Morris President George Weissman are poles apart.

The business leader will go out of his way to try to change the thinking of anyone who, like the famed author, feels that, "It is a gratification to me to know that I am ignorant of art."

Mr. Weissman and his company are at the forefront of corporate supporters of art. This year alone, Philip Morris is spending in the neighborhood of $400,000 sponsoring art exhibitions at home and abroad.

"I feel that the future will see an ever-closer partnership between business and the arts," Mr. Weissman says. "The passing of the giant private patron, the growing awareness of the corporation's potential and responsibility for enlightenment, and the ever-widening scope of its horizons are all factors that will cement lasting relationships with the arts."

Philip Morris has been sponsoring art and other cultural activity for 10 years. Its dollar contributions in this area run to several million.

"As art becomes a vital part of our environment, management has learned that the relationship between business and the arts is not incongruous," Mr. Weissman notes. "Just as art has its practical side so business has its artistic aspects.

"The businessman who lacks a creative approach cannot expect unusual attainment in our competitive world and he cannot assist his company in surmounting average levels. Excellence, as in the design of products and packaging, often depends on the quality of the overall company environment."

In setting up yardsticks for support of art projects Philip Morris says it has been guided largely by two principles—taste and involvement. Mr. Weissman explains:

" 'Taste' is that just-about-indefinable quality that helps people to associate themselves with those things which are truly significant, truly challenging, truly excellent, within our society.

"Involvement must be personal, sincere, full-time. A check to a worthy charity is certainly a worthwhile corporate gesture, but sometimes it is no more than a gesture. Involvement implies a corporate interest leading to a commitment of time and money and manpower and energy." •

continued on next page

Telling It Like It Is, to Employees

Brunswick Corp. workers now get an annual report giving details of how the company is doing.

Corporations are sometimes criticized for not bothering to give their employees understandable annual reports on corporate activities and the activities' results.

That criticism can't be leveled at the Brunswick Corp., of Skokie, Ill. It has just distributed such a report to the 25,000 people on its payroll.

The report is a 16-page, two-color booklet written in simple language and sprinkled generously with easily-understood charts and graphs. Its primary focus is on aspects of the company's operations which relate closely to employee needs and interests.

"I have thought for some time that most annual reports to stockholders were very difficult to read because of the legal requirements of the SEC and the tendency of legal people to speak a special language," Brunswick Chairman J.L. Hanigan wrote in a letter accompanying the report.

"For this reason, and because it is so vitally important to each of us to know all about our company, this first 'Annual Report to Employees' has been put together."

Using the past five years as a base, the booklet shows how the company has grown in sales, earnings, number of employees and manufacturing plant capacity, and where it ranks among major American firms. Additionally, it tells where Brunswick's sales dollars come from and how they are spent.

At a time when multinational firms are being accused of exporting American jobs, Brunswick explains how it fits into this picture.

Brunswick says a careful study has shown there would be 2,635 fewer people working for the company in the United States if it had not invested in plants abroad. Also, there would be 2,500 fewer jobs in plants of the company's suppliers.

Almost 25 cents of every sales dollar comes from Brunswick's operations in Belgium, Canada, Australia, Japan and Brazil. At the same time, the company's exports are running more than five times its imports.

"The sum and substance, then, of each of these factors is that being a multinational company is good business, not only for Brunswick, but for our country as well," Mr. Hanigan told his employees. •

Shear Quality Spelled Success

When Jacob Wiss opened his cutlery shop at 9 Bank St. in Newark, N.J., he soon began to experience power failures. It was easy to spot the trouble—his dog was tired.

That was in 1848 and modern sources of power had not yet come to Bank St. Mr. Wiss ran his grinding and polishing wheels with a belt connected to a treadmill, and the treadmill was powered by a St. Bernard.

This year, J. Wiss & Sons Co. is celebrating its 125th anniversary. Five generations of the Wiss family have been active in the operation of the firm.

By the time the Civil War erupted, the Wiss shop had twice been moved to larger quarters on Bank St. and the St. Bernard had been replaced by steam. The war brought large orders for scissors to cut surgical dressings and tailor's shears to cut uniforms. It also led to improvements in design and manufacturing techniques that enabled Wiss to further expand.

In the postwar years America emerged as leader in a field once dominated by shears and scissors from Sheffield, England. Tailors soon became aware that Sheffield's products could not match Newark's for strength, balance and cutting edge.

Frederick Charles Wiss, who took over the business after his father's death in 1880, capitalized on this fact with a vigorous sales program both in this country and abroad. During a visit to Sheffield, he received convincing proof that Wiss quality was everything the company said it was.

"Let me see your finest pair of shears," Fred Wiss said to a clerk in the capital of English cutlery. The clerk, watching Mr. Wiss examining a large case of Sheffield wares, said, "You'll not find them in there, sir." He reached under the counter and pulled out a pair of Wiss shears. "These are the finest shears available anywhere," announced the Englishman.

Under Fred Wiss the shears and scissors industry was revolutionized. When he decided to forge shears of steel instead of the traditional malleable iron, which tended to break, expert diemakers said it couldn't be done. Mr. Wiss proved them wrong.

In World War II, the company again made a war-effort contribution. Its products not only were used to cut surgical dressings and make uniforms but to snip metal for tanks, make parts for airplanes and ships and cut wire for radar and radio equipment.

The company today is still guided by a principle set forth in a motto which hung in Fred Wiss' office: "The recollection of quality remains long after price is forgotten." •

Continental.
We add assurance to life in an unsure world

. . . by making pension and profit sharing plans available faster and at less cost. The need for employee incentive programs is a fact of business life. But the expense and delays in developing tax-qualified retirement plans often discourages their consideration by small corporations.

A relatively simple solution is Continental's ANSWER, a series of Master Plans and Prototypes already approved by the I.R.S. A variety of funding methods and a wide range of flexible plan provisions permit smaller companies to tailor ANSWER plans to precise needs.

Red tape is dramatically reduced. With ANSWER it's possible to introduce employees to new benefit plans in a few weeks . . . not months.

Ask your Independent Agent or a Continental pension specialist.

CONTINENTAL *life* ASSURANCE Co.

A PART OF **CNA FINANCIAL** CORPORATION

MISCONCEPTION:

Electric utilities make too much money.

FACT:

With today's costs, many electric power companies are not earning enough to enable them to do what they must: continue providing their customers with reliable electric power. To do this, electric companies have to build new generating plants and other facilities. This construction requires enormous amounts of money—billions of dollars. To finance construction, many electric utilities must obtain up to 75 percent of this money from investors. And they absolutely must earn, on a continuing basis, an adequate return on presently invested funds before new investors will be motivated to risk additional funds. Otherwise, no investment capital, no construction, no new power supply to meet the demand. It's just that simple. But it doesn't stop there. Inadequate supplies of electric power can start a domino effect. The industrial and commercial prosperity of an area is damaged, and wages, jobs, and tax money begin to decrease—the community's whole well-being is affected. For more information, write for our pamphlet on utility earnings. The Southern Company, Dept. 342CN, P.O. Box 720071, Atlanta, Georgia 30346.

Adequate supplies of electric power form the base upon which jobs, growth, and improvement in standard of living are built.

The Southern Company system: working toward tomorrow, today.

Alabama Power Company Georgia Power Company Gulf Power Company Mississippi Power Company Southern Services, Inc. Southern Electric Generating Co.

sound off to the editor

Should We Restore the Draft?

It sounded great.

End the controversy over the military draft by getting rid of it. At the same time, provide incentives that would produce enough enlistments to keep the Army up to strength in both quality and quantity.

Among the incentives: Higher pay, more personal freedom, better living conditions, greater choice of occupational specialties, and elimination of many of the traditional sources of gripes in the ranks (KP and "hurry-up-and-wait," for example).

But there were doubts. An all-volunteer Army, some said, could become isolated from civilian society because it would lack perspectives brought to the service by draftees and would be less representative.

Civil rights leaders expressed concern that the greater financial rewards would draw many ghetto youths and the result would be a largely black Army defending a predominantly white nation. And military leaders worried that National Guard and Army Reserve units, which had attracted many young men anxious to avoid the draft, would be depleted.

But defenders of the volunteer Army concept held such fears were groundless. The pay scales, opportunities to learn new skills and to travel, and the newly relaxed atmosphere of Army life would appeal to a broad cross section of American youth, they said. The nation would be better served by men who join up willingly and become highly skilled careerists than by those forced to be soldiers, they added. And conscription, some argued, is alien to a democratic society in peacetime.

There has been no drafting since January. How has the volunteer Army concept worked? Some say it has been a failure. The Army has not achieved its recruiting quota in any month since use of the draft ended. Of those enlisting in September, 30 per cent were black. Educational requirements have been lowered. Many National Guard and Army Reserve units are well below strength.

A new Defense Department study of the prospects of meeting military manpower requirements without the draft is in the works, as a result of a Senate Armed Services Committee request. However, Committee Chairman John Stennis (D.-Miss.) says the volunteer Army "has not been sufficiently tried," and a "full test" will require two to three more years.

The question of whether the nation needs conscription will be heard more and more.

What do you think? Should we restore the draft?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we restore the draft? ☐ Yes ☐ No

Comments:..

....

....

....

....

....

Name and title..
(PLEASE PRINT)

Company...

City..

sound off response

Not High on Capitol Hill Investigations

Are there too many Congressional investigations?

"Heck, yes—and that includes Watergate."

That's the reaction of a great majority of *Nation's Business*' readers who replied to that question in "Sound Off to the Editor" [September].

"Congressional investigations are politically motivated witch-hunts."

They voted three to one in favor of Congress sticking more to its knitting—lawmaking.

The Watergate hearings chaired by Sen. Sam Ervin (D.-N.C.) were viewed by many as a costly waste of time, a Democratic-sponsored vendetta against President Nixon or a Senatorial attempt to grab the limelight.

Paul O. Roedel, vice president, The Wiremold Co., West Hartford, Conn., writes: "Congress' intended function of legislation is being diluted by continued headline investigations which, in the long run, seldom serve as any guide or help to legislation being considered."

There are too many Congressional investigations "by far," says Walter Funk Jr., president, Missouri Research Laboratories, Inc., St. Louis, Mo. That is especially true, he adds, "when it seems like the real objective is to give television exposure to the investigators."

"It appears to me that Congressional investigations are politically motivated witch-hunts," charges Roy Freeman, whose Roy Freeman Associates, Inc., Atlanta, Ga., deals in engineered equipment.

E.E. Anthony Sr., board chairman, The Commercial Bank, Andalusia, Ala., holds that through the Watergate hearings, Congress is trying to "embarrass President Nixon because he beat the Democratic nominee so badly. . . . The Watergate hearing is a Roman Circus. We have courts under the Constitution to try people who have violated the law and that is where it should remain."

On the other side of the argument, John D. Heinen, president, Heinen Brokerage Co., Vernon, Calif., says that, rather than too many investigations, Congress is conducting too few.

"To conduct fewer investigations would be as bad as letting more drug pushers, murderers, robbers, etc., go without proper prosecution. We must now put an end to misconduct at all levels of government and the government must set the example for all people to follow."

R.M. Fagan, vice president, Hartsville Furniture Co. and Galleries, Hartsville, S.C., concludes that the televised hearings have, "without doubt, made the people more aware of the need for all of us to be more interested and knowledgeable about the working of our government."

Two readers who attended in person the hearings in the ornate old hearing room on Capitol Hill came away with diametrically opposed viewpoints.

Charles W. Hulett, executive vice president, Aero Mayflower Transit Co., Inc., Indianapolis, Ind., writes: "I personally have sat in on one of the Watergate hearings and can't really say that very much was accomplished in that particular session. How many times a week is this same waste committed?"

But Karen Hardy, a broker with Henville Realty in South Gate, Calif., says: "I went to Washington to view the Watergate hearings. What a revelation! Having Congress interested enough to act against corruption in government restores faith and confidence in those that serve their country. If anyone is fearful of being investigated, replace them!"

Charles D. Mather, president, Mather Products Corp., Woodstock, Ill., casts his vote in favor of Congressional investigations but members of Congress can take little comfort from that.

"Congressional investigations," he writes, "serve the very important function of giving Congress something harmless to keep them busy. If they didn't have this diversion, they would be passing more idiotic bills."

"If Congress does not . . . who is to play watchdog on the other two branches?"

A different insight comes from James A. Murray, a bookkeeper for Murray Construction Co./Seal Builders Supply Corp., Waverly, Ohio, who says he was an intern in the U.S. House of Representatives during the summer of 1971.

"I am totally convinced," he says, "that investigations such as that of the Ervin committee are totally useless and a waste of valuable committee time and money.

"If the Congress wants to be an investigative organization, I suggest that one of the first topics they should consider should be their own archaic and outdated seniority system and some of the ethics of their own members."

Other comments:

A. W. Vitt, consulting geologist, Littleton, Colo.—"Watergate (hearings) had a point . . . but it should have been turned over to the proper authorities long ago. It now sounds like the tenth rerun of the 'Hollywood Hillbillies.' "

R. S. Cook, president, R. S. Cook & Associates, Inc., Philadelphia, Pa. —"If Congress does not keep tabs on what is happening, who is to play watchdog on the other two branches of government?"

AMERICA NEEDS TO KNOW... MORE ABOUT BUSINESS

What's Up in Executive Pay

Performance is the name of the game

What fate does the future hold for the executive's pay?

Two lead-pipe cinches—and a host of question marks.

1. His salary—but not bonuses—is pretty sure to climb about 7 to 8 per cent a year. It has for the past 10 years, and there's no change in sight.

Provided, of course, that he hangs on to his job or gets promoted. In bad years, the ax usually falls first on the executive suite.

2. More and more, his bonus will depend on hitting a performance target set for him by top management. A free ride on the profit and loss statement—with bonuses pegged to overall corporate profits—is going out of style.

The number one question at this time is the future of the pay stabilization program.

The Cost of Living Council recently published its proposed Phase IV regulations lowering the boom on executive compensation by establishing the management group as a unit to which the 5.5 per cent guideline for pay increases would apply. This would cause enormous difficulties for two out of three executive compensation plans.

What the amplified regulations will have in store for management was not finally answered by CLC as this issue of NATION'S BUSINESS went to press.

However, the finalized regulations will undoubtedly be more restrictive on executive compensation—which raises more questions:

1. If the regulations are implemented as originally proposed, will they be retroactively applied to limit salary increases already granted during the current year?

2. Will companies be restricted from paying bonus awards that managers have already earned in 1973?

3. With a clear bias toward stock option plans, is the government suggesting that all companies adopt such plans regardless of the appropriateness from a compensation standpoint?

Washington also poses other questions. For example:

Will tax changes play hob with present pay plans?

What does Internal Revenue Service have up its sleeve?

And Wall Street presents a riddle: What will it do next? The Street has had a shattering impact, in many cases, on executive rewards.

Take the chief executive of one of the nation's leading publishing firms. Appointed four years ago, he bought a big block of the company's stock—demonstrating confidence in his ability to boost earnings.

He paid $30 a share.

His performance should warm even the coldest stockholder heart. Every quarter, since his appointment, his company's earnings have increased.

But the price of its stock hasn't. Recently, it was selling for $6 a share.

Thus, although executive salaries keep going up, the past year was one of uncertainty and change in management compensation. The same promises to be true of 1974.

Average rise: 7 per cent

The latest Annual Management Compensation Study by Sibson & Co., Inc., covers 1,300 firms. This large sample shows that top man-

---

ROBERT E. SIBSON, *author of this article, is president of Sibson & Co., Inc., management compensation specialists. This excerpt from its Ninth Annual Study of Management Compensation is published exclusively in Nation's Business.*

Salaries of Chief Executive Officers of Industrial Companies

Table #1

(In thousands)

Size of company (By sales volume in millions) From	To		High paying industries*		Medium paying industries		Low paying industries**	
			Bonus paying firms	Non-bonus	Bonus paying firms	Non-bonus	Bonus paying firms	Non-bonus
$1	$5	Salary	$ 48	$ 58	$ 37	$ 44	$ 32	$ 32
		Bonus	25	—	16	—	11	—
		Total	$ 73	$ 58	$ 53	$ 44	$ 43	$ 32
5	15	Salary	$ 62	$ 75	$ 50	$ 58	$ 41	$ 41
		Bonus	35	—	25	—	16	—
		Total	$ 97	$ 75	$ 75	$ 58	$ 57	$ 41
15	25	Salary	$ 74	$ 88	$ 59	$ 70	$ 48	$ 49
		Bonus	44	—	30	—	19	—
		Total	$118	$ 88	$ 89	$ 70	$ 67	$ 49
25	35	Salary	$ 83	$ 95	$ 67	$ 77	$ 52	$ 53
		Bonus	52	—	35	—	21	—
		Total	$135	$ 95	$102	$ 77	$ 73	$ 53
35	50	Salary	$ 91	$106	$ 72	$ 85	$ 58	$ 59
		Bonus	58	—	38	—	24	—
		Total	$149	$106	$110	$ 85	$ 82	$ 59
50	75	Salary	$ 98	$116	$ 80	$ 97	$ 62	$ 64
		Bonus	65	—	43	—	27	—
		Total	$163	$116	$123	$ 97	$ 89	$ 64
75	125	Salary	$111	$134	$ 90	$109	$ 70	$ 74
		Bonus	75	—	50	—	31	—
		Total	$186	$134	$140	$109	$101	$ 74
125	250	Salary	$135	$163	$105	$132	$ 84	$ 89
		Bonus	97	—	61	—	39	—
		Total	$232	$163	$166	$132	$123	$ 89
250	500	Salary	$155	$206	$126	$159	$102	$110
		Bonus	115	—	89	—	50	—
		Total	$270	$206	$215	$159	$152	$110
500	1,000	Salary	$181	$251	$151	$192	$124	$142
		Bonus	141	—	98	—	63	—
		Total	$322	$251	$249	$192	$187	$142
1,000	2,000	Salary	$210	$305	$179	$234	$144	$169
		Bonus	170	—	122	—	78	—
		Total	$380	$305	$301	$234	$222	$169
2,000	5,000	Salary	$256	N.A.	$221	$298	$170	N.A.
		Bonus	220	—	159	—	95	—
		Total	$476		$380	$298	$265	
5,000	10,000	Salary	$320	N.A.	$273	$370	$210	N.A.
		Bonus	291	—	210	—	126	—
		Total	$611		$483	$370	$336	

NOTE: Salary data is updated to reflect levels as of January, 1974. Bonus levels are projected to reflect year-end bonus awards paid for 1973 performance.

*High paying industries include cosmetics, pharmaceutical and toiletries.

**Low paying industries include metal cans and meat products.

agers' salaries are 7 per cent higher this year than in 1972.

That is, when comparing salaries of a given group of managers from one year to the next, the average increase—taking into account those who received none—was 7 per cent. For those who received increases, the median hike was 12 per cent.

Nearly all the companies surveyed review management salaries each year. Two out of four executives received a performance pay hike, and one out of four received an increase because he was promoted.

The bonus picture is even brighter.

For top managers, whose pay is reported in proxy statements, bonuses last year shot up an average of 30 per cent. Their rewards are usually based on corporate profits—which tend to rise, or fall, twice as far as profits themselves.

Since business boomed last year, so did profits and this kind of bonus.

Mid-managers, further down the ladder, don't reap the same windfall.

Their bonuses rose an average of 10 per cent. To earn one, they must usually meet a preset performance target or goal. If the business outlook is rosy, these targets are raised. So bonuses, under mid-management incentive plans, don't climb as fast as those based on overall corporate profits.

For the fifth straight year—since NATION'S BUSINESS has been publishing highlights of Sibson & Co.'s annual survey—management pay plans have shown lots of change.

Part of the change, this year, is due to continued efforts to improve executive pay plans—especially to build in more incentive. External forces have also played a large role. For example:

- Inflation has built up some pressure for gearing pay plans to the Consumer Price Index—although executive pay normally moves up faster than the cost of living.
- Stock market prices slumped. Among companies surveyed which had stock option plans, 68 per cent of the options were "under water" at the time of the survey. That is, the market price of the stock was less than the option price.
- Demand for top executives has been very strong. The threat of losing key executives puts pressure on companies to make sure that their compensation plans meet the competition's.
- Washington's economic policies have been unpredictable. Phase IV and possible changes in the tax law have put businessmen in the dark.
- Accounting Principles Board rulings may drastically alter the advantages of some previously popular compensation plans.

Company size counts

Salaries of managers keep moving ahead partly because most salaries do so, in good times and bad. Most important, companies are not likely to run the risk of losing good managers by withholding salary increases. The incremental cost, even in bad times, is insignificant compared to the value of key personnel.

A company's size, and pay policies in its industry, continue to be the main factor in setting top managers' salaries. (See Table No. 1.) Length of time on the job, and the profitability of the company, do not correlate with salary levels at all.

Pay levels of other key management positions are keeping pace with those of top executives; they also increased by about 7 per cent this year. (See Table No. 2.)

Note the considerable difference in salary between division managers and heads of companies of comparable size. But executives who are in autonomous business units tend to receive salaries which are far closer to chief executives' than to division managers'—many of whom are only partly accountable for managing their divisions.

Staff executives, or functional managers, are paid at rates shown in Table No. 3. These figures apply to companies that are organized on a functional basis, rather than by business units—or divisions.

In this group, financial executives now generally command top pay.

This is a sharp change from just a few years ago when marketing executives were in the highest pay bracket. What has happened is that more and more companies have adopted the divisional or business unit form of organization. Under that setup, financial management is more closely centralized than marketing.

But marketing is still a key route to the top. More than two thirds of all division heads come up via the marketing route.

The stock option lives

For the fifth year in a row, some compensation experts have prematurely reported the death of stock options. In fact, 80 per cent of all companies that requested new long-term pay plans from stockholders for 1973 included in them some form of stock options.

About half of these new plans, however, were based on nonqualified options, which are not eligible for capital gains. About one third asked stockholders for permission to grant either nonqualified options or options which qualify their holders for capital gains.

Thus, the trend is strongly toward nonqualified stock option plans.

The main reasons are increased plan flexibility and the Tax Reform Act of 1969.

Nonqualified options permit lots of plan variations—and there is no three-year holding period required after the option is exercised.

In addition, for a taxpayer in a high income bracket the 1969 tax law has narrowed the gap between the taxes he pays on a capital gain, and the taxes he pays on earned income.

Why are companies asking stockholders for more flexibility in setting up option plans?

In a nutshell, because of uncertainty about the future.

They would like to be in a position to roll with the punch if new tax laws are passed or if IRS changes its rules. In addition, the Accounting Principles Board may lay down new guidelines for treatment of pay plans. So may government agencies such as the Pay Stabilization Board or the Federal Reserve Board.

Corporations can't risk being locked into a plan which would run afoul of new rules and regulations—or be penalized by them.

In 1973, companies continued to come up with new ideas, practices and programs in the field of management compensation. Many of these stem from continuing interest on the part of top management to make ex-

Salaries of Division Managers

Table #2

(In thousands)

Size of division (By sales volume in millions)	Level of Autonomy High*	Medium**	Low***
$1 to 5	$36	$33	$30
5 to 15	48	41	38
15 to 25	59	48	43
25 to 35	66	53	46
35 to 50	71	59	48
50 to 75	78	64	53
75 to 125	89	72	58
125 to 250	105	84	64
250 to 500	125	100	74
500 to 1,000	149	119	84

These Level No. 2 executives include managers reporting to office of the chief executive. They do not include such men as executive vice presidents or others who are actually part of the chief executive's office.

*Division managers who are truly independent operators, frequently with as much freedom of action as company presidents. Usually, they have no corporate staff support in marketing, finance, manufacturing or engineering. Instead, they manage each of these functions in their division.

**Division managers who have neither complete freedom of operation, nor are subjec to close and continuing scrutiny by corporate management. Their autonomy is greater than managers in the "low" category.

***Division managers whose operations are subject to careful review and assistance from corporate staff department heads or corporate management committees. For example, advertising would be handled at the corporate level, even though each division manager might have a manager responsible for advertising; or the division might not have either a manufacturing or marketing operation of its own.

Salaries of Staff Executives

Table #3

(In thousands)

Size of company (By sales volume in millions)	FUNCTIONAL POSITIONS Marketing	Finance	Mfg.	Legal	Research	Personnel
$1–5	$25	$25	$23	$18	$22	$15
5–15	32	33	29	23	27	19
15–25	36	37	33	27	32	22
25–35	39	42	36	29	35	24
35–50	41	45	38	32	37	26
50–75	45	49	41	36	40	28
75–125	49	54	45	40	43	32
125–250	55	62	51	46	49	36
250–500	63	72	57	54	56	41
500–1,000	72	82	66	64	64	48
1,000–2,000	82	97	76	75	73	57

Executive Pay *continued*

ecutive pay dependent on business results. More than half of all management bonus plans, for instance, are now incentive plans—where targets are set each year and management bonuses are paid depending upon whether those targets are met.

Companies are also taking more of an entrepreneurial view of management salaries. Very few use traditional methods such as job evaluation. More and more management salaries are based not only on competitive levels of pay but on strategic business thinking as well.

Estate building plans still receive a great deal of attention. About one third of the nation's 1,000 largest companies now provide estate counseling for their key executives. Experience with these plans has been mixed, reflecting in part the newness of the service.

But it also reflects the fact that there are few qualified firms offering such services. Then, too, many of the executives themselves expected something very different from the advice they received. Generally, counseling services are far more complex and more oriented toward fancy tax shelters than many managers want.

Five-year plans

Brand new types of long-term income plans also surfaced this year.

Some companies have developed and implemented "long-term incentive plans." These set five-year earning targets, with management awards dependent on how well these goals are achieved.

Such plans have their virtues. They tend to reward management more for what management can achieve. They also make possible the development of long-term income plans for each operating business in multiple-business companies.

For both reasons, they represent far stronger financial motivation.

The trouble with such plans, however, is that it is obviously difficult to set long-term goals accurately. Also, the time and cost involved in implementing and administering the plans is quite high.

Because of these difficulties some companies have compromised by adopting combination plans. These combine some of the features of

stock-related plans with the long-term incentive concept.

Stock incentive plans do this by awarding a number of units—similar to "phantom" shares of stock—depending on the size of annual bonuses, and then valuing these units on the increases in the price of company stock.

Another type is the much-publicized performance share plan.

This involves granting phantom shares valued at the current market price of the company's stock. These shares increase in value only if the price of the stock goes up—and if certain preset internal business goals are met. The eventual award is a payment equivalent to full value of shares plus stock appreciation.

In spite of the ballyhooing, however, only 14 of the nation's largest companies have adopted any form of performance share plans. This study identified just five additional companies that are even considering this new panacea. Why?

For one thing, setting goals is a major obstacle. If a company could do this successfully, it would be well advised to establish a long-term incentive plan where payments to managers were directly tied to achievement of long-term earnings goals.

What is more important, however, is that the tax-accounting regulations that were really the genesis of performance share plans were wiped out by Accounting Principles Board Ruling No. 25. Now all income from such plans is chargeable to profit and loss.

Total Compensation of Chief Executive Officers

Table #4

(In thousands)

Salary	Bonus	Annual long-term income (Such as stock options and long-term bonus plans)	Total annual income
$250	$190	$230	$670
200	140	165	505
150	100	110	360
100	60	60	220
80	45	45	170
60	30	25	115
40	20	15	75

The size of bonus and long-term payments relative to salary clearly changes as the chief executive officer's position increases in size. The larger the size, the greater the percentage of incentive awards becomes to total annual income.

What's ahead in 1974?

As most economists are predicting more inflation and continued erratic behavior in the stock market, a large number of companies are adopting new stock option plans to replace those adopted in 1968 and expiring in 1973.

These will be up for approval by directors next month, and by stockholders in March or April, 1974.

With the new plans in place, will companies make large grants in March or April—when many forecasters think the Dow-Jones may well be over 1,000? If so, will some companies again grant options when their stock is at its all-time high?

Many companies which adopted new plans at the beginning of 1973 have done just that—granting large blocks of shares because, despite the lofty price level of their stock, they felt it "will never be lower."

It is hard to think that the price of stock in many of these companies will not increase substantially sometime between 1973 and 1978.

But the real question will be the price when options are exercised or exercisable. Will executives at some of these companies again exercise options at well below market price only to see the market slide down and their option profit disappear?

These are the kinds of uncertainties that companies face.

There are answers to these problems. They involve new methods of administering options.

For instance, it is possible to grant options at equal intervals throughout the life of the plan; this will, in effect, represent the investment principle of averaging.

But many managers find it very uncomfortable to live with these changes in administrative rules.

There is some hope that pay stabilization may go away in 1974—but there are no guarantees.

However, it is wise to anticipate some changes in taxes, accounting rules and government regulations.

The Tax Reform Act of 1973 has not passed yet. But this is no cause for rejoicing. The changes are not forgotten in Congress—just postponed. So, some uncertainties hang over every management compensation plan.

The most likely changes are some tightening of regulations on the "gimmick plans"—such as swinging-door options, discount option plans, premium buy-outs of options and, in some cases, performance share plans.

One thing seems certain for 1974. There will be a continuing high level of activity and a lot of change. END

REPRINTS *of "What's Up in Executive Pay" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

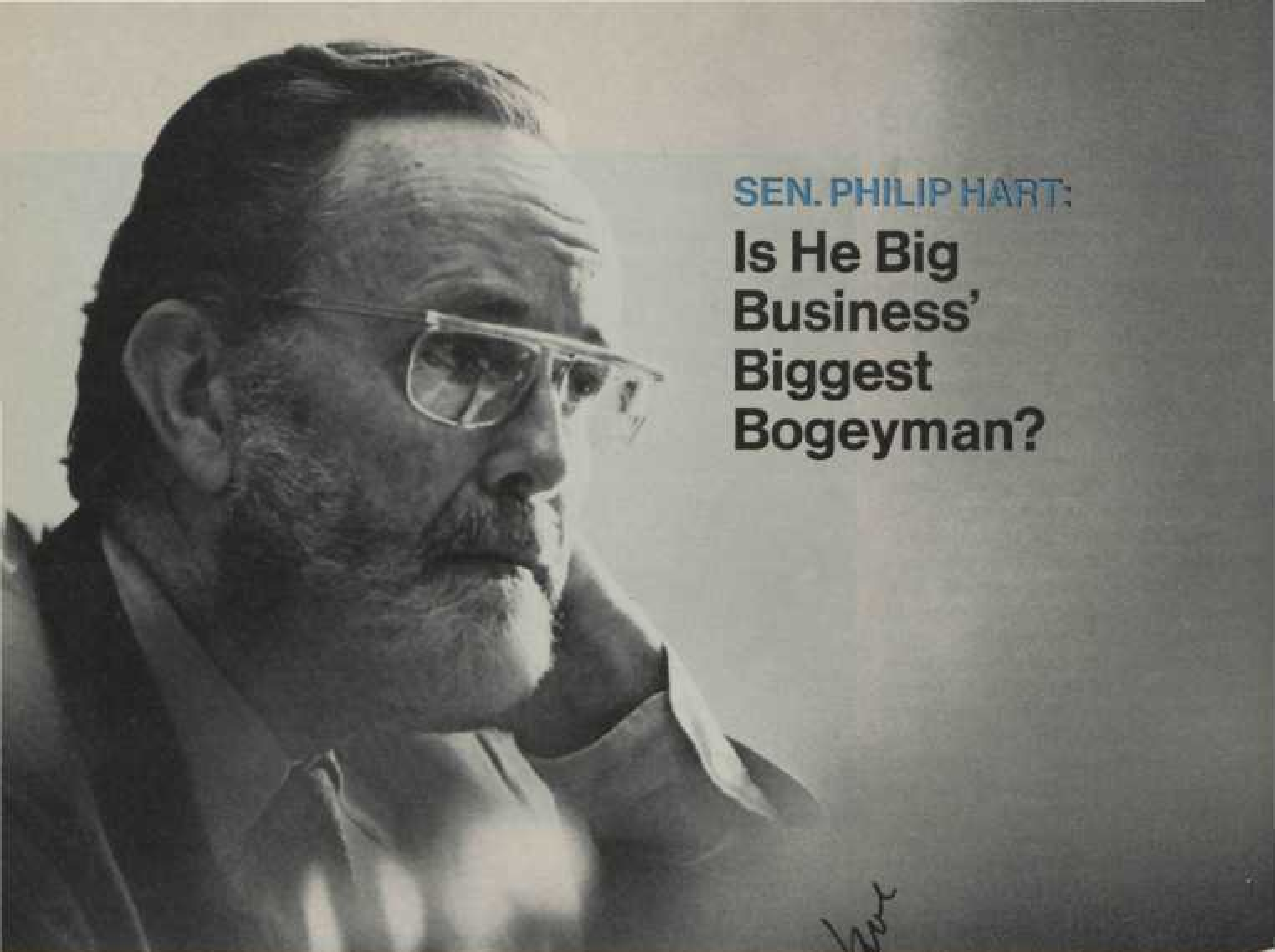


PHOTO: DENNIS BRACK—BLACK STAR

SEN. PHILIP HART: Is He Big Business' Biggest Bogeyman?

Hart

mag art 11-1-73

The Michigan Democrat asks a penalty for corporate success: dismemberment

Sen. Philip A. Hart will laugh if you ask him: "Do you consider yourself a giant-killer for wanting to bust up some of the biggest industries in America?"

Actually, he says, that isn't the point at all—he's really out to save the free enterprise system.

Yet, he agrees, his bill to deconcentrate big business might well spell the end of the General Motorses, U.S. Steels and General Electrics of this country.

Phil Hart, the only man with a beard in the U.S. Senate (he grew it on a challenge from his children), is chairman of the Senate Antitrust and Monopoly Subcommittee. For almost two years the subcommittee has been spending much of its time on the proposed "Industrial Reorganization Act" which the Michigan Democrat introduced in 1972. It is aimed at breaking up "corporate gigantism."

The question naturally arises: How can you be for free enterprise on the one hand and, on the other, seek the destruction of the very industries that epitomize the free enterprise system?

Sen. Hart sees no inconsistency.

Two thirds of American manufacturing capacity is lodged in 200 companies, he says, and this concentration has been rising steadily over the years. Nothing, he adds, suggests the trend will be reversed.

"Suppose," he asks, "these 200 firms hold 75 per cent of that capacity by 1985? And that in the year 2000 these companies have shrunk to 100 and they control 95 per cent of manufacturing?

"At some point in that progression, public opinion is going to say, 'We can't accept that kind of private power.' If we haven't arrested those concentrations at that point, government intrusion will be very direct."

(Not everyone agrees, however,

with Sen. Hart's contention about the 200 companies. Prof. J. Fred Weston of the Graduate School of Management at the University of California at Los Angeles, for example, says the use of total assets alone "exaggerates" the bigness of a company. The share of the top 200 in all manufacturing drops from over 60 per cent to 42 per cent when value-added alone is used, he notes. "The facts," he says, "do not support assertions that great increases in concentration are taking place in the U.S. economy.")

The nub of the Senator's position is: He will save free enterprise by protecting industries from themselves. His bill, he is convinced, will ward off almost inevitable government control by keeping public opinion in check.

Sen. Hart, an ardent and acknowledged liberal, sees some humor in his stand. By the usual yardstick of measuring a politician's liberal-versus-conservative quotient why isn't he, he suggests, regarded as an ultraconservative for going all-out to aid business?

For months now the Senator's subcommittee has been taking testimony from witnesses, mostly economists, who disagree sharply on the impact of the Hart bill. They range from those who believe it will virtually destroy big business to those who claim it is the only thing that can save the nation from economic collapse. In a new round of hearings, scheduled well into 1974, the subcommittee will hear from the industries themselves.

Seven industrial "families"

Under the legislation, the fate of seven industrial "families" is at stake: chemicals and drugs, iron and steel, electrical machinery and equipment, energy, nonferrous metals, motor vehicles, and electronic computing and communication equipment.

If this drive against these industries succeeds it will mean that for the first time a corporation will have to defend itself before the government whenever it reaches a size which the government will have decided in advance constitutes a threat to competition. And it must either restrain its growth or face mandatory dismantlement.

While Sen. Hart has singled out certain industries because of what he regards as their too-heavy concentration, and because "they have the greatest impact on inflation . . . and contribute most to employment problems," the legislation's wording clears the way for looks at other business fields as well.

"The insurance industry and the grocery chains, just to name two, might qualify under some interpretations of too much concentration in a given field," says Peter Chumbris, Republican counsel on the subcommittee.

Labor is spared

Interestingly, the legislation does not look at concentration in labor unions, where monopoly is well known to exist. Why, mightn't it be asked, should a union with a concentration of power in a particular industry, say, automobile manufacturing, be exempt from dismantlement?

(Sen. Strom Thurmond (R.-S.C.) recently introduced legislation to subject unions to antitrust law. But similar legislation has been introduced many times in the past and has never gotten anywhere.)

However, the only attention the Hart bill pays to labor is to call for a study of the effects that dismembering industries would have on existing collective bargaining contracts.

The Senator seems to think the principal labor problem under the Hart plan is possible union concern over job losses if companies are broken up. But he says such breakups would increase competition and thereby create jobs.

At issue here is legislation which would create a federal commission, with unprecedented powers, to ride herd on industries suspected of stifling competition by virtue of their size, and a special court which would decide whether the industry in question should be fragmented or allowed to continue operations.

The Hart bill would virtually strip the Justice Department of its antitrust powers and place them in the hands of the proposed commission and court, which would have responsibility for carrying out the industrial dismantling procedure. The Senator argues that the current antitrust approach is practically ineffective.

Sen. Hart is convinced that, while the most famous antitrust acts on the books—Sherman and Clayton—were useful in their time, they failed to contemplate the complex business conditions that exist today.

Most businessmen would disagree sharply with this thinking. They contend existing antitrust laws are already so tough that if there's even a hint that a company is "tending toward monopoly," the federal lawbooks are thrown at it.

And, many economists argue, some of the corrective medicine Sen. Hart prescribes could well wreck the economy and destroy the civil liberties of American businessmen.

Under the Hart approach to industrial deconcentration, "monopoly power" would legally exist when any of three things occur:

• A corporation's average rate of return on net worth after taxes tops 15 per cent over a period of five consecutive years out of the most recent seven years preceding filing of a complaint.

• When any four or fewer corporations account for 50 per cent or more "of sales in any line of commerce" in any section of the country in any of the most recent three years preceding a complaint.

• There has been no substantial price competition among two or more corporations "in any line of commerce" for three years out of the most recent five years preceding a complaint.

Tiny firms, too?

If just one of these conditions had been in effect in 1972—companies earning over 15 per cent on net worth after taxes—divestiture could have been imposed on such firms as IBM, Xerox, Procter and Gamble, Eastman Kodak, Philip Morris, Coca-Cola, Gillette, Kellogg, Avon and Champion Spark Plug, just to name a few possible victims.

While a "Mom and Pop" corner grocery might be exempt from this provision of the bill, as written, it could affect the smallest of businesses. Might not a small electrical shop or building contractor which is incorporated and trades across state lines, for instance, qualify for attention simply because it enjoys a 15

Give our classic machines a test drive.

3M Brand Desk-Top Copiers.

Economical 3M Brand Desk-top copiers can bring new convenience to small offices. Or larger offices where you have to wait at central copier locations. Ideal if you work at home. Four very affordable models for you to choose from. And each has a varying copy output for your varying copy needs.

And each is perfectly dry. No chemical or toner mess. No additives to bother with. Low, initial machine cost and practically service-free performance means *top copier economy.*

Choose from the copiers with the reliability reputation. There's one that's sure to fit your working situation. Stop in at your local Office Products Dealer and "test drive" one of the 3M Brand "Classic Machines." Or mail this coupon — today!!!

3M OFFICE PRODUCTS

Mail to: Mgr.,
Graphic Systems Wholesale
3M Co., 3M Center, Dept. DCN-103
St. Paul, MN 55101

Yes! I'd like to test drive a 3M desk-top copier in my own office. Contact me for an appointment.

Name ______________________

Title ______________________

Firm ______________________

Address ______________________

City __________ State __________ Zip __________

Is He Big Business' Biggest Bogeyman? *continued*

per cent return on its net worth after taxes for five years?

This is not what Sen. Hart has in mind, of course, but it serves to indicate the vast area over which the legislation would have jurisdiction.

The commission that would investigate complaints of too much "bigness" and too high a rate of return on assets would have enormous and unprecedented powers. It could inspect any corporate records. It could publish or make available on request any information about a company it believes appropriate for public disclosure. It could call on any federal agency or Department for assistance in investigating any company it sees fit.

From some of the testimony so far it seems clear that the immediate effect of the bill, if enacted, would be to force several large industries to curtail as soon as possible any further growth or expansion. Investments would fall off and there could be large flights of capital to foreign markets more receptive to growth and investment.

Inroads into incentives

"What would a rational person expect the result on employment would be if the incentive to invest were removed or substantially diminished?" asks Dean Lowell Smith of the College of Business Administration at Loyola University of the South, in New Orleans. "Obviously, it would decline, or at the very best, it would increase at a substantially diminished rate, perhaps not even fast enough to take care of the normal population growth. The spectre of increased unemployment is very real and highly probable under the conditions implied in the Act."

Pointing out that the accelerating concentration of industry taking place in Western Europe is contributing to the U.S. balance-of-payments problems, UCLA's Prof. Weston says:

"The proposed Industrial Reorganization Act would reduce efficiency in the U.S. economy at a time when we especially need more, not less, efficiency."

Phil Hart has been sparring with business since he took over the subcommittee in 1963 upon the death of Sen. Estes Kefauver of Tennessee. Ironically, some of the legislation he has inspired—such as truth-in-packaging and no-fault automobile insurance—could not get through his own subcommittee.

"But he has had good luck by using a form of lateral pass," says a veteran Capitol Hill observer. In other words, Sen. Hart, blocked by his own subcommittee, has been able to get his legislation considered and approved by the Senate Commerce Committee, headed by Sen. Warren Magnuson (D.-Wash.).

"That's how the lateral pass works," says this observer. "Hart is always surrounded by tacklers. 'Maggie' isn't."

Sen. Hart began going after bigger things in the business legislation field not long after he was assured of a third full term in the Senate by Michigan voters in 1970. His subcommittee began leveling an accusatory finger at what he considered such big business hanky-panky as interlocking directorates, "scavenger" mergers and price-fixing among the "most favored industries."

An account in the Booth newspapers of Michigan in 1971 had this to say:

"In his early days he [Sen. Hart] hesitated to bite the hands of the Michigan automobile industry, which in turn placed paychecks in the hands of the labor union members who put him into office.

"But now Hart has more than five years to go before he has to face the voters again. And with his volumi-

PHOTO: DENNIS BRACK—BLACK STAR

Sen. Philip Hart, in a shirt-sleeved conference with members of his personal and subcommittee staffs. The Michigan Democrat is vigorously pushing legislation which could break up some of the biggest industrial corporations in the United States.

All UPI photos returned 11-6-73
Send [illegible] me at end of month

Sent UPI 12-27-7[illegible]

Have Xerox copy

PHOTO: UPI

Sen. Hart's wife, Jane, was an accomplished helicopter and airplane pilot until she gave up flying a few years ago. Mrs. Hart, the mother of eight children, has also been an active motorcyclist and at one point expressed a wish to be America's first woman astronaut.

nous files put together by his subcommittee staff, which generally can be considered anti-Establishment, Hart now feels secure enough to really lay it onto what he calls the corporate giants."

It might seem anomalous that Sen. Hart apparently is bent on breaking up the automotive giants of Detroit. Socially, because of wealth (most of it his wife's) and political status, the Senator moves in the same circles as the corporate chieftains of General Motors, Ford and Chrysler.

NATION'S BUSINESS asked the Senator:

"Is this awkward for you, being around these automobile executives at the same time you're trying to break up their companies?"

He laughed, paused a moment, and replied:

"I hadn't thought of it that way. But I'm sure their opinion of this proposal is that it's outrageous. I'm sure if I were in their positions I'd feel the same way.

"But, really, none of that group has discussed the bill with me seriously. Once in a while one of them will make a pleasant, light comment and make it clear what they think of the bill. I would add this, though. If there were an imminent likelihood that this thing would become the law of the land, this light and casual treatment would damn sure become very serious and very direct."

It might also seem anomalous that Phil Hart wants to dismantle the automobile industry, which is responsible for much of his wife's wealth.

The Senator is married to the former Jane Briggs, whose late father, Walter Briggs, amassed a fortune selling parts to the car makers. He later bought the Detroit Tigers baseball team and the stadium which bore his name for years (it's now Tiger Stadium).

In recent years, Mrs. Hart, a mother of eight children who used to motorcycle and fly her own plane, has been in the news many times. Politically, she may be to the left of her husband.

Family "fights"

Not long ago she publicly refused to pay $24,000 in federal income tax in protest over U.S. bombing of Cambodia. Sen. Hart publicly disagreed with his wife. She later paid the taxes.

Mrs. Hart said of her husband on that occasion: "We have beautiful fights. We have fights about whether the whole system has survivability built into it. I scream that it's all his fault. He's the institution and he should fix it."

In 1970, Mrs. Hart was arrested during a peace demonstration at the Pentagon. She visited Hanoi in 1972. In 1969, the entire Hart family restricted themselves to a welfare food budget for a week to focus attention on the hunger problem.

The Senator's wife did not come by her social consciousness overnight. She once explained its origin to a reporter: "I remember during the Depression. I was nine or 10 and I can remember seeing people in Detroit, long lines of people—and I was not one of them. I remember the contrast."

Since 1966, Sen. Hart has made a practice of disclosing his stock holdings, which currently run slightly in excess of $100,000. Most of this stock, he says, he inherited from his parents. He describes his late father, a banker in Bryn Mawr, Pa., as "the only Democrat in Republican country."

The Senator's liberalism might well be traced to his father. When Phil Hart was 17, the elder Mr. Hart presented him with a lifetime mem-

bership in the National Association for the Advancement of Colored People, at a time when few whites belonged to that organization.

Interestingly, Sen. Hart holds stock in companies which are part of those industries he wants to break up. They include General Motors, 315 shares; American Electric Power Co., 159 shares; Greyhound Corp., 406 shares; and Exxon, 104 shares. Last year, the Senator listed total income from stocks of $8,299.

The Senator stressed in his interview with NATION'S BUSINESS that his stock interests are held separately from those of his wife. He added:

"By accident or circumstance, I have a wife who has a bundle. My holdings are so small that it is not to my credit that I seem to be attacking some of my interests because, hell, my interests are pipsqueak."

Friendship with "Soapy"

Phil Hart got into politics through a friendship that began at the University of Michigan Law School. His classmate was G. Mennen "Soapy" Williams, heir to the Williams shaving cream fortune, who later became Governor of Michigan.

Mr. Williams, elected Governor in 1948, appointed his old school chum state corporation and securities commissioner. Later, after a brief turn as U.S. attorney, Sen. Hart became the Governor's legal adviser. He was elected lieutenant governor in 1954, reelected in 1956 and, in 1958, was elected to the U.S. Senate.

Phil Hart was a war hero, a fact he seldom mentions. An infantry officer, he was wounded during the D-Day assault on the Normandy beaches. He was decorated by both the French and Belgian governments.

The contrast between the two men who have dominated the Senate Antitrust and Monopoly Subcommittee is pronounced. The late Sen. Estes Kefauver had a belligerence which annoyed witnesses. Sen. Hart is pleasant and friendly, and more than one witness has come away commenting, "That Phil Hart is really a nice guy." And many such comments are made by people who work for industries which "nice guy" Phil Hart wants to dismantle.

By Sen. Hart's own admission this blockbuster-type legislation has virtually no chance of passage at this time. Still, the Senator is resigned to spending a great amount of his time building a record in support of his contention that some of big business is too big.

If the bill were to come to a vote in the subcommittee today, it would get, at best, only three votes out of nine. That would be Sen. Hart and two other liberal Democrats, Sens. Edward Kennedy of Massachusetts and John Tunney of California.

This is foreordained as a result of a cagy maneuver on the part of the chairman of the parent Senate Judiciary Committee, Sen. James O. Eastland (D.-Miss.). After numerous complaints from Sen. Kefauver that many bills clearing his subcommittee simply died in the full Committee, Sen. Eastland appointed two Southern conservative Democrats, Sens. John McClellan (D.-Ark.) and Sam Ervin (D.-N.C.), to the subcommittee. This tended, in effect, to make its political composition more closely resemble that of the full Committee, a majority of whose members lean toward a conservative view.

The net effect has been to block virtually any strongly liberal legislation from moving out of the subcommittee and is one reason why Chairman Hart has had to fall back on the Commerce Committee to get some of his pet legislation cleared for floor action in the Senate.

And this is also why Sen. Hart says, "I don't know any bookmakers who quote odds on legislation. But if anybody were making book on this bill he would give long odds against it for quite a few years."

The Senator concedes quite candidly that the special court his bill would establish might find that industrial concentration is not so bad after all.

Willing to backtrack

"It may be that if you find an industry is overconcentrated you might be going from the frying pan into the fire to deconcentrate," he explains. "It's conceivable that this special court (and if I were on the court I might agree) could find there is concentration but that the costs of busting it up are greater than the costs of keeping it. Or that the benefits which might come from keeping an industry intact are greater than the benefits which would result from deconcentration."

A number of economic experts appearing before the Hart subcommittee have raised the question that divestiture could strike a telling blow to stockholders, particularly small stockholders, stifle growth and even result in unemployment.

Sen. Hart disagrees, explaining that his own experts on the subcommittee feel none of these conditions would come to pass. However, he says, if he's wrong he's in favor of backtracking.

"If you go from bad to worse, you

Senate Antitrust and Monopoly Subcommittee

Chairman

Philip A. Hart of Michigan

Democrats	Republicans
John L. McClellan of Arkansas	Roman L. Hruska of Nebraska
Sam J. Ervin Jr. of North Carolina	Hiram L. Fong of Hawaii
Edward M. Kennedy of Massachusetts	Strom Thurmond of South Carolina
John V. Tunney of California	Edward J. Gurney of Florida

don't go," he says. "You don't hurt employment, you don't call for price rises."

If Sen. Hart is unsure what his bill would do to the industrial giants of this country, another member of his subcommittee has no such doubts.

Says Sen. Roman L. Hruska of Nebraska, ranking Republican on the panel: "If the Hart bill passes it would make the United States a third-rate trading nation. Big industries abroad have expanded 120 per cent in the past five years. The rate of growth in this country has been only 60 per cent. If that growth rate continues we will be outstripped in another four or five years. We can break up these industries here, but we can't break them up over there."

Another member of the subcommittee, also opposed to the Hart approach, agrees that the bill stands little chance of passage in the immediate future.

"Phil Hart knows that and he just wants to keep the issue alive," the Senator explains. "He's probing for the soft spots and will keep at it until something gives."

Among those who have opposed the bill in public testimony is Dr. David Schwartzman, professor of economics at the New School for Social Research, in New York, who warned of the immediate consequences of the legislation if it became law:

"Firms will do what they can do to avoid dissolution. The most obvious means of holding a market share down below the critical level is to increase prices, and firms in danger of dissolution will avoid competing aggressively.

"In addition, if profits threaten to cross the 15 per cent line, then firms will become extravagant and inefficient. Such unanticipated effects will be difficult to avoid if the law is to depend on simple rules."

Paul W. McCracken, the former chairman of the White House Council of Economic Advisers, who is now a professor at the University of Michigan's Graduate School of Business, sums up his view of the Hart bill this way:

"Industry would be subject to the withering hand of government."

—VERNON LOUVIERE

Taking the Jolts Out of Moving

A transferred executive who has help in handling messy details of shifting his home and family can do better on the job

When a company shifts an executive to a new location, he's apt to have a lot more on his mind than his new job.

He may be thinking about meetings with appraisers, real estate brokers, lawyers, bankers, maintenance workers and prospective buyers for his home—in addition to others of the thousand and one details involved in pulling up family roots and relocating to a new area.

Business knows that anxiety due to selling a house and finding a suitable new home, plus the pressures of family separation, can prevent a recently transferred manager from concentrating on a new job.

So in addition to administrative burdens to the company, lowered performance levels are seen as one of the hidden costs of executive relocation.

Those costs were quantified in a pilot study by the management consulting firm, A.T. Kearney & Co. It found managers who sold their own homes during a job transfer were 20 per cent less productive at work than they would have been if the messy and time-consuming details of moving were handled for them.

For these reasons, company-subsidized relocation—both individual and group transfers—is one of the newest benefits for executives and some professionals. Firms have popped up to specialize in the growing relocation service field. Their market is 300,000 to 500,000 corporate executives and professionals who are transferred in the U.S. annually. About 3,000 of the nation's largest companies account for 90 per cent of these transfers.

One leading service firm in the field is TICOR Relocation Management Co., a wholly-owned subsidiary of The TI Corp., an insurer of real property titles that has diversified into other financial and real estate activities.

In industry today, almost all executives have their transportation and moving expenses paid by their companies. Real estate costs remain the major area where there is great diversity in company policies.

Many firms use their personnel departments or real estate departments to assist relocated employees. But about 25 per cent of the transfers are now handled by professional relocation firms like New York City-based TICOR.

When a manager is transferred, TICOR saves him time and inconvenience by disposing of his former residence and purchasing his new one for him, and obtaining mortgage financing. With about 75 corporate clients, TICOR last year bought and resold 2,200 homes with gross value of over $75 million.

13 moves in 19 years

Weston Edwards, president of TICOR, has lots of personal experience to draw upon in his business. A father of 12 children, Mr. Edwards, 39, has moved 13 times in 19 years of marriage. "My experiences give me a great deal of empathy with what people who are being transferred go through," he says. "We really try to do it right."

Some of the problems transferees face show up in the in-depth interviews A.T. Kearney conducted for its study.

One manager had to relocate to another city before he could sell his house. Vandals broke into his vacant home, leaving it a shambles. A major portion of the profit he hoped to realize on the sale of the house had to go to repairs, because his insurance policy didn't cover a vacant dwelling. Taking care of the repairs

ILLUSTRATION: RALPH ROBINSON

Mag. sent 11-1-73

by long-distance phone was a drag.

In another case that illustrates the frustrations of moving into a new home and a new job at the same time, a young executive couldn't sell his home before being transferred to a different city. His wife was fearful of remaining in the house with only their young children. He decided to put up his family in a leased apartment while trying to sell and maintain his former residence 1,000 miles away. He had to spend a lot of time on the phone and traveling back and forth, until the house was finally sold. That was three months after he began the new job.

To get a better idea of the scope of relocation benefits on a national scale, TICOR had Dun & Bradstreet survey the relocation practices of the nation's largest companies. Of 733 companies contacted, 635 cooperated.

"We feel that reflects significant interest in the subject," comments TICOR's Mr. Edwards, adding:

"Experience indicates that practices in the area are not static. In particular, we believe companies are becoming more selective in picking people for transfer, but are absorbing more of the real estate-related costs created by transfers."

The study—broken down by industry (petroleum and gas, food, banking, publishing, etc.)—compiled information on the volume of transfers in 1972; percentages of managers who were homeowners; problems in disposing of homes; and company policies on relocation.

It turned up some rather sharp differences in industry transfer policies. For instance, more than 80 per cent of the companies in the petroleum and gas, aerospace and electronics, and wood and paper industries pay the brokerage commission for executives who sell their homes. But the figure was below 40 per cent in the publishing, retailing and wholesaling, and transportation industries for the companies surveyed.

Among all 635 concerns in the study, 69 per cent said they pay brokerage commissions.

"The study was commissioned to provide a comprehensive base of information against which companies could evaluate their relocation benefit policies in terms of their industry and industry at large," remarks Mr. Edwards.

The bulk of the 70-page report is in tabular form. The highlights:

- The petroleum and gas industry transferred the largest number of employees in 1972. Publishing and printing companies transferred the fewest.
- The percentage of transferred executives who were homeowners was highest among hardware, appliance and houseware companies; publishing and printing companies; and aeronautics, space and electronics firms. It was lowest in the transportation field.
- Most companies don't guarantee the transferred employee against loss on the sale of his home.
- Most require transferred managers to sell their own homes by themselves.
- About one fourth of the companies use an outside relocation firm that will offer to purchase a transferred executive's home. Use of such a service was lowest among retailers and wholesalers and highest among petroleum, gas, steel and aluminum companies.
- Brokerage commissions are the most frequently reimbursed home sale expense. The second most frequently reimbursed expense is closing costs.
- Over half of all companies surveyed stated that they reimburse ex-

Taking the Jolts Out of Moving *continued*

ecutives for expenses incurred in maintaining two homes.

• About two in five repay managers for mortgage discount points they have to pay.

• Firms generally don't repay executives for additional income tax liability resulting from reimbursement of expenses in connection with the sale of a home.

• During 1972, only about 12 per cent of the companies surveyed were experiencing any significant problems in connection with transferred employees disposing of their former living quarters.

• The most common problem mentioned was the selling of homes in rural or semirural areas, where there is a limited turnover of real estate. Another, lesser, problem was the difficulty of selling homes in a saturated housing market.

Is it worth it?

In the broadest sense, Mr. Edwards thinks companies are looking harder at whether transfers are the best way to fill a position or advance an executive. The costs—some of them hidden like the distraction to, and loss of productivity by, a key man or woman—are coming into sharper focus. A shift of one manager also can have a domino effect, creating other employee shifts with more confusion than is necessary.

Executive resistance to moving is also a factor. But Mr. Edwards believes this will work to relocation firms' benefit. Corporations will try to make any move as easy on the manager as possible, he thinks.

Real estate market conditions will have to be factored into company relocation policies, Mr. Edwards says.

He says most signs point to company payment of relocation expenses becoming a standard benefit for executives and some professionals. There is, however, a lot of flexibility in how a firm can handle its relocation benefit program.

Traditionally-high-benefit industries tend to have the most generous relocation policies. The biggest force for change, Mr. Edwards says, is that companies and industries competing with them for personnel are under pressure to match the going relocation deal. END

Put a roll of your tissue here and find out how much Fort Howard can save you in maintenance costs.

Try it yourself. Most industrial roll tissues cover only the red part. If your roll is like that, Fort Howard can cut your tissue changing time in half. That's because your roll is only 1000 sheets.

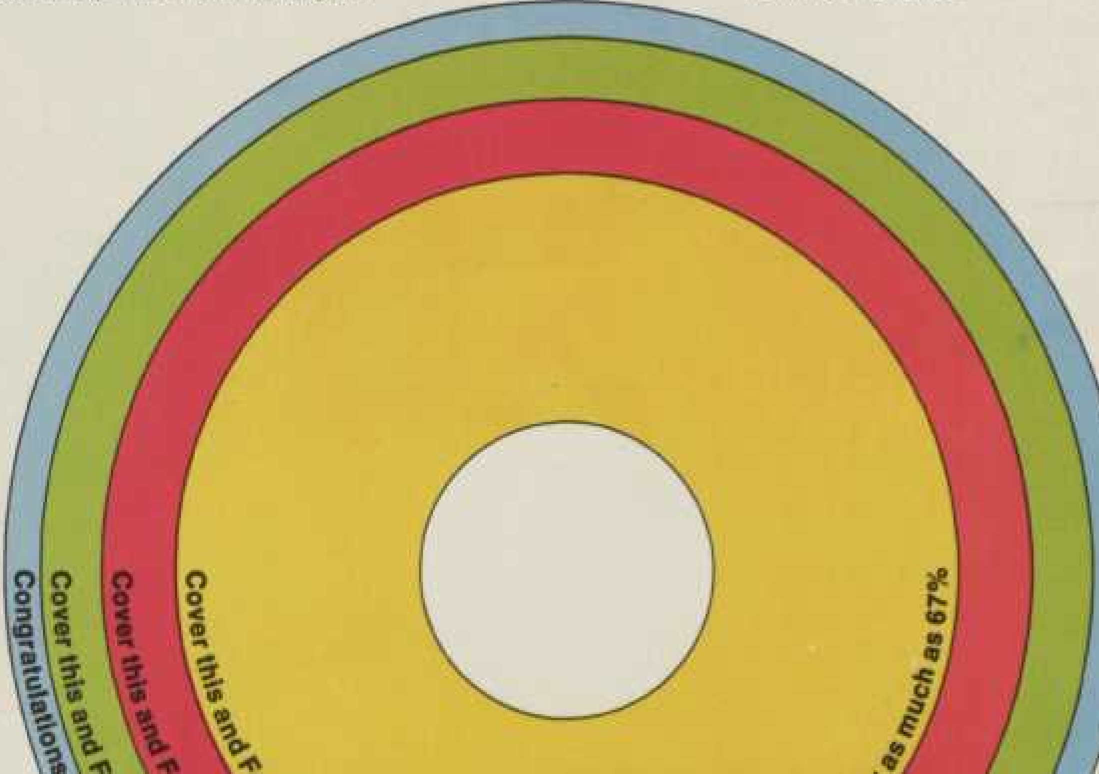
Our Billow® tissue is 2000 sheets. It lasts twice as long, so your maintenance people only have to change it half as often.

What it's worth to you. We estimate it takes about 60 seconds to change a roll of tissue. Figuring your total maintenance costs run about $3.00 per hour, that means it costs you a nickel every time a roll is changed.

So when you add up a year of roll changes for your entire company, 50% changing time can be pretty important.

Is your tissue on target? Write us on your letterhead and we'll send one of our men over with a "Tissue Target." If your tissue's in the red, he'll show you how to save 50% in tissue changing time. If it's in the green, he'll show you how to save 25%.

If it's in the blue, you're probably already using Billow® tissue from Fort Howard.



Fort Howard Paper

Green Bay, Wisconsin 54305

We put paper to work for you.


This is your year.
Make a little Thunder of your own.
Thunderbird '74.
The one that tells you you're finally in the car you belong in. Brilliant styling. A whisper of sport. And that celebrated Thunderbird ride. From its distinctive front end to its deep luxury interior, Thunderbird '74 has just about everything you'll ever want. Including air conditioning, the elegant opera windows, vinyl roof, tinted glass, steel-belted radial ply tires and a 460 V-8 engine. All *standard*. And you can add the optional Power-Operated Sunroof or the new Glass Moonroof.
Thunderbird. At your Ford Dealer's.
Unique in all the world.
Thunderbird 1974.
1974 Thunderbird shown with optional Exterior Decor Group, Moonroof, Deluxe Wheel Covers, Deluxe Bumper Group, Picardy Velour Cloth trim and Glamour paint.
THUNDERBIRD
FORD DIVISION
Ford


MMG
KEY TO SUCCESSFUL
MANAGEMENT

1-11x14 color photo
art
1 B&W
11x14

LESSONS OF LEADERSHIP

PART CII

Samuel Neaman of McCrory Corp.

Ever a volunteer

Without much exaggeration, it can be said that Samuel Neaman's background reads like that of a one-man multinational conglomerate.

The 60-year-old chairman and chief executive officer of McCrory Corp., a diversified retail chain with annual sales of $1.5 billion, is into his fourth business career.

Before coming to the United States from retirement in France in the early 1960s, Mr. Neaman ran apparel manufacturing plants in England and on the Continent, was the chief executive officer of one of Mexico's largest steel mills, and bossed the construction of a major hotel. All his careers were successful.

In 1963, the energetic son of a Galilean schoolteacher started afresh by projecting himself into a business field totally unrelated to his previous background.

At the time, the McCrory-McLellan-Green variety store division of McCrory Corp. was floundering, the victim of, among other things, the fact that the mergers which formed it weren't meshing. It reached its nadir in the first quarter of 1964 when it reported a $350,000 loss. To the dismay of Rapid-American Corp., which owns about 62 per cent of McCrory Corp., this loss was compounded by a buildup of huge inventories that soaked up valuable cash.

Enter Sam Neaman, with an international reputation as a management troubleshooter. The turnabout came swiftly and by 1969, when the industrialist-turned-retailer was elected chairman of McCrory, the variety store division was contributing about $18 million in pretax profits. Today, McCrory has a record of nine straight years of sales and profit advances.

It's a huge operation—a major retailing force with 2,300 stores in 48 states and the District of Columbia, and 60,000 employees. The corporation's activities include a department store division (S. Klein and Britts); an automotive and home accessories division (Otasco); an apparel specialty division (Lerner Shops); and the variety store division (G. McNew).

The latter is the product of a 1972 merger of McCrory's variety stores with J.J. Newberry, another strong variety chain.

Mindful of the almost-disastrous handling of the mergers which had formed McCrory-McLellan-Green years earlier, Sam Neaman and his team of managers programed the merger of Newberry into MMG with great care to avoid frictions and bruised feelings.

"The new G. McNew variety store complex not only survived a painless marriage, but is girding up to create a new place for variety retailing in the years ahead," says Mr. Neaman.

In this interview in his Manhattan office, Mr. Neaman talks with a NATION'S BUSINESS editor about his many-faceted career, and looks at the future.

You've worked in several countries and in different industries. Are there certain attributes that apply in manufacturing as well as in retailing?

Yes, I would say there's something very fundamental. If you regard it all as management, then you will find that managing a steel mill in Mexico and managing a chain of stores has the same requirements.

The main thing is to understand people, to work with people and to give them a chance to bring everything they have in them, their brains, their emotions, their desires, to the job.

Could you tell me about your early life?

I was born in Israel, in a village in the mountains that rise from the shores of the Sea of Galilee, to put it in a romantic way. I went to agricultural school. I was a farmer. My grandfather was a farmer. My father was a schoolteacher. I fully expected to be a farmer for the rest of my life. But the need for further musical education for my brother led us from Palestine to France.

How old were you when you went to France?

Lessons of Leadership: Samuel Neaman *continued*

I was 19. I received my degree in agriculture and joined my family in France, who went there a few months earlier. We located near Lyon, which is a textiles center. I learned the textile business there.

How did you come to join the British Eighth Army in World War II?

I volunteered in 1939 and had quite a tour. The army acceded to my leanings toward quick travel. I went back to France and got involved in the Dunkirk evacuation. I enjoyed that short trip across the English Channel.

Then we sailed around the Cape of Good Hope on the Queen Mary from England to Egypt. From there I spent time in the North African desert, which was Gen. Montgomery's school for tank warfare. And from there, we went to Greece.

Then we were told to start running, and we ran down through Greece and Crete. Thanks to the British Navy, we got out of Crete after Max Schmeling [a German who formerly was world's heavyweight boxing champion] and his friends parachuted down. Then it was back to Egypt.

It sounds like a history of World War II in Europe and North Africa.

We next went to Tripoli, met up with the American Army and landed in Salerno and Anzio, then moved up through Italy. I liked traveling and so we traveled.

I was transferred to the Belgian Army based in England to be a liaison officer. We went back to Europe a few days after the D-Day invasion. In 1945, we were sent home with many medals and two civilian suits.

What did you do after the war?

I began manufacturing ladies' blouses in England. It was a very small operation. I started with eight people and then enlarged it.

How did you end up in Mexico with the steel mill?

That was in 1957. I happened to have been friendly with a banker in Mexico who was in the scrap business as a sideline. One of the largest steel mills in his country was in a financially questionable situation, and he managed to interest the owners in selling him the stock. I helped him to negotiate, and when we concluded the deal and were flying back to New York City from Mexico, having a nice meal and a drink, he turned to me all of a sudden and said: "Now that we bought it, you'd better run it, because I don't know how to run a steel mill."

I said: "I don't know how either." But I learned.

This was a large operation. We had some 6,000 employees mining for ore and making steel for a variety of items such as drawing wire, structural material and car springs. So I had to learn the steel business and to speak Spanish at the same time.

Were there any big immediate problems?

It was a very complicated situation. You had engineers from all over the world. There were Germans, Argentinians, Venezuelans and Mexicans. And the Mexican engineers were not given a crack at decision-making.

One of the first things I did was to allow the young Mexican engineers a voice in the management—which immediately brought a good reaction and understanding in the middle management echelon and with the workers.

I saw no difference between the workers there and anywhere else. They were human beings, and I used to go and share their food and spend time with them in their festivities or in their agonies. Within a few months, production started rising, and people began to care about what was happening. Within a year and a half, the mill became profitable.

From Mexico and the steel business, you jumped to another country and another business, hotel construction in Tel Aviv?

It was a Sheraton Inn. I knew someone who was an investor and they couldn't put the thing together. They asked me if I'd go in and do it, and I was looking for a year back home in Israel.

When was that?

It was in 1960 and 1961 for about 15 months.

How did you become associated with Rapid-American Corp.?

I was retired and living in France. I felt the time had come for me to retire and do a little bit of thinking.

I've made mistakes in my life and this was one of them. I got very restless and when a suggestion came that I enter business in the United States, I was interested. I had several offers and joined Rapid-American, a corporation that was having a certain amount of difficulties in 1962.

A few months later I became operations vice president.

When did you move over to McCrory-McLellan-Green, the merged variety store chain?

That was in 1963.

How come?

MMG then was like a rudderless ship. The company didn't know where it was going. The management felt variety stores had had it. So they tried to put products like furniture and major appliances in the stores.

Well, variety stores with their confined area can't handle major appliances. I can say that now, but I didn't know it then. Nobody wanted to join McCrory and I, as an operational vice president of Rapid-American, did one of the stupid things that people do in the Army. I volunteered to join McCrory, and you know what happens to people who volunteer.

But there was nobody else, and the reaction of top management was: "What can we lose?"

And you were a man with a manufacturing background. Did you run into some resistance from the retailing people?

It was not only resistance. It was disbelief. The people at MMG were baffled.

What was I doing there with no retail knowledge?

But didn't you get some experience in a hurry?

When I was given the McCrory job, I was not given the helm immediately, but I was studying the problems on the fringes. I went to our Rego Park, Queens, N.Y., store

In eighteen years or so, this child may be competing with hundreds of others for the same job.

By the time this child is grown, our nation's work force should total 106 million persons. A net increase of 27 million jobs by 1990.

How will they be created?

Foreign trade in the 1960's generated from 600,000 to 900,000 new U.S. jobs.

One way is through further expansion abroad. The more a company expands abroad the greater its growth in domestic employment.

In the 1960's, U.S. multinational companies increased domestic employment at a higher rate (31.3%) than the national average (12.3%).

Another way to create more jobs here is to increase exports.

Foreign trade generated from 600,000 to 900,000 new jobs for Americans during the 1960's, when U.S. multinational companies increased exports by 180% while the national average went up 53.5%.

Thousands of patents are held by U.S. multinational companies. Many, as in our case, originated abroad and are used here to develop new business.

Conversely, many are used abroad—with a portion of the profits from new sales remaining there. This helps create new jobs, new purchasing power, new taxes, new technologies and increased exports.

Restrictions on foreign expansion and repeal of tax credits could inhibit future growth of U.S. economy.

Some of the profits, of course, accrue here as an important contribution to the U.S. balance of payments.

Restrictions on foreign expansion, the transfer of technology, and the repeal of tax credits for payment of foreign income taxes could seriously inhibit multinational companies' contributions to U.S. economic growth.

This could reduce earnings, especially those funds for research and development and domestic expansion—from which spring new products and new jobs. Not to mention increased exports.

So if our nation takes the position that growing companies like ours are today, in effect, exporting jobs—something we would never condone—there may one day be a lot more 18-year-olds than there are jobs for them.

International Telephone and Telegraph Corporation, 320 Park Avenue, New York, N.Y. 10022.

ITT

SERVING PEOPLE AND NATIONS EVERYWHERE

Samuel Neaman boards McCrory Corp.'s executive jet at New York City's LaGuardia Airport with his wife, Cecilia. A native of Israel, he had several successful careers before entering retailing 10 years ago.

Samuel Neaman *continued*

and said to the store manager: "My name is Sam Neaman.

"I'm a vice president at Rapid-American, but for the purposes of this exercise, I'd like you to hire me as your assistant. I'm only pulling rank on you in one thing. You have to hire me. But from that moment on, I'm your assistant. You tell me exactly what you would tell anybody else."

What happened?

Well, I asked: "What is the first thing you will tell a man whom you hire to be your assistant?" He said: "Unload the truck." So I unloaded the truck and brought the merchandise down to the basement where it was stored.

"What do I do now?" was the next question. He said: "Now you put the merchandise on the counter." Well, there I discovered point one: Waste of manpower.

Why have a basement? Why have a stockroom? Why not unload your merchandise from the trucks straight onto the shelves?

The answer was that you don't know if you need the merchandise on the floor. If you don't need it, why bring it to the store? That's also a waste of money.

That's how I got hold of the end of the rope and started walking. And I'm still walking.

How long did your education last?

I worked in the field with people in the stores and in the district for almost a year. My first eight to 10 months were spent on the road, managing the company from hotel rooms. That experience gave me an insight into what a small store is all about. It gave me the capability to work with the store manager on the phone, and I can still call managers who remember me from those days.

The profit turnaround came fairly swiftly didn't it?

I took over officially in July, 1964. By the end of its fiscal year, in January, MMG had a profit before taxes of $7.5 million. That was a shock.

Everybody was sure, including the people who worked with me, that it was a fluke, that it was caused by something in the books or in the inventory. But the next year, we had a $9.5 million profit, and each year thereafter profits have gone up.

You've said: "I'm not really a retailer. I'm a manager." Is this one of the maxims you've brought to the "art" of retailing?

All I'm saying is that you don't have to be born in a retail store. You don't have to move from the stockroom onto the floor as a third assistant to the first deputy in order to become a store manager or a buyer or a president of a retail company.

Retailing has its own rules. Those rules must be written down. A curriculum has to be developed. Retailing is composed of many functions, and therefore we can divide and identify them. Some are specific to retailing, like buying. Others are used in many places.

This is part of what we're doing. We now live in a society of specialists and retailing has to learn to specialize.

Wasn't one of your first steps an effective control of inventory?

Yes. Who says you have to fill stores with piles of merchandise? I'm interested in the right assortment, in quantities that allow a customer to reach for the merchandise easily, touch it, select it and leave without having to dig through a pile of stuff he doesn't want.

On the personnel level, you've set up a school of retailing and distribution. How does that fit into your plans?

I have developed a training department that uses videotape, cassettes and the written word to train people. We're also bringing in the supervisory level of managers for two-week courses. To sophisticate it further, I'm now negotiating with Gov. Milton Shapp of Pennsylvania to use colleges in York and Harrisburg to train retailers.

Now, if we could, and this is a dream, I want to see that through training people in the colleges and giving them an opportunity to work part-time in our stores in those areas, they could become store managers or buyers for McCrory with a minimum waiting period.

Why did you set up an ombudsman in your business?

I found out the channels of communication between store management and the company president were a one-way street. The person who gives an instruction, say a district manager, was the person who was supposed to relay any complaints from the store manager.

But it wasn't happening, with the result that higher management levels didn't really know what was going on.

The ombudsman system gives the store manager an opportunity to vent his emotions, and sometimes it's really only venting of emotions. Our

ombudsman has a dual responsibility: He reads all memos going out of the home office to make sure they are understandable, and he keeps in touch with store managers by phone and letter. Most of the problems are settled amicably between the ombudsman and the store managers.

In the last four years, I haven't heard of a single serious complaint that had to pass the ombudsman for consideration by higher management.

You've said you're looking for a "place in the sun" for McNew. What did you mean by that?

I'm looking for the function my stores will fulfill in the retail spectrum.

There are department stores and discount stores. There are large and small variety stores and, unfortunately, many have had to close their doors.

In 1971, out of 30,000 variety stores, 3,000 closed. Is there a role for the variety store? My answer is "Yes, there is a need for us." That's my place in the sun, the small store.

But isn't the trend toward big stores, everything under one roof?

The large stores are a phenomenon that developed over the years. But I think there is room for a Toyota in retailing.

G. McNew should aim to be the largest small store operation in the United States.

What does that entail?

The small store operation must be made an efficient operation. Small stores will have a different type of merchandise; a different type of merchandising; different types of store managers; different types of communications; different types of systems.

You've referred to it as micro-efficiency.

Yes. It's like a submarine. Every inch of a submarine must count. You don't bring in a piece of paper, if it's not absolutely necessary. Space and weight and oxygen govern the structure and functioning of a submarine. This is exactly what I'm doing with small stores—making every inch count in profits.

An associate says you once told him: "You have your golf game on weekends. I go home and play with figures."

That's right. Some people hit the ball and that vents their frustrations. This is a way they make social contacts, exchange views, all that around the little ball and the club.

I go home and think about figures. They tell a beautiful story. There are endless variations. When I'm tired of looking at merchandise figures, I look at labor costs. When I'm tired of labor costs, I look at real estate figures. And so forth.

From your experience in various countries, how do you view the U.S. businessman's lot today?

It's a situation you see all over the world. The times have changed. Why? Business is much bigger. At the top sits a man who now has to make more decisions for more people. Everybody looks to him and says: "Make the decision."

They want him to do it so they can escape the responsibility. "You make the decision so I can criticize," they say.

We have gone from small business to large business and we will have to learn that large business will have to delegate, to break itself into smaller components. We shouldn't put too much power into a central position. Not because it's bad, but because it's impossible to control so many decisions and make them with enough knowledge.

A large part of McCrory growth has been through acquisitions. Do you expect to continue to grow that way, or from within?

McCrory, McLellan and Green were put together 10 years ago into the McCrory chain. Since then we haven't acquired anything to make it grow bigger until the recent Newberry merger.

As to growth in the future, there will be no need for an explosive opening of new stores. We will open stores when locations develop and require additional services or the presence of variety stores.

But our growth will come from within. We are fighting to produce more sales per square foot of store space. That increase in sales under the same structure of expenses is what makes us efficient.

McCrory's Klein discount stores operation has been going through a stormy period, hasn't it?

Klein's is my Achilles' heel. It's part of an industry that is undergoing tremendous pains. The discount store industry is really in trouble because the stores pay the same rent, the same wages and now even decorate in the same ways that department stores do.

Can you see a future for Klein's?

We are working in different directions on a remedy. One is to develop a department store division where there will be a reciprocity of activity with Britts, our regular department store operation. Also, we may change products sold in Klein's while still catering to the \$8,000-to-\$12,000-a-year income family. Less of a promotional basis and a more basic and constant price approach will also be emphasized.

How do you view retailing as a career?

Knowing what I know about retailing today and knowing what I know about myself after 60 years in this world, if I had the choice to start all over again, I would start in retailing.

It suits my character. I don't mind working 24 hours a day, but I don't like to clock in and out. People who are more systematic will dislike retailing. Sometimes the most interesting moments are between five and seven o'clock in the evening when everybody starts discussing what happened during the day.

It's a lot of fun, and you'll miss a lot if you say goodbye at 4:29 p.m. Retailing is for individuals, people who are highly individualistic. END

REPRINTS *of "Lessons of Leadership: Part CII—Samuel Neaman of McCrory Corp." may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

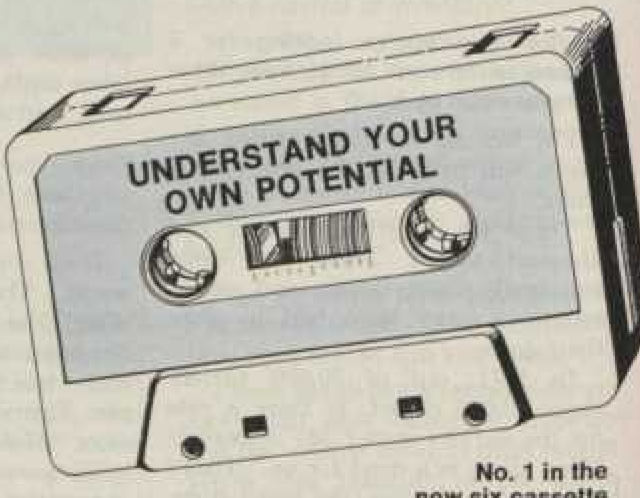
INTRODUCING THE **NEW** ***PERSONAL*** MANAGEMENT SEMINAR IN SOUND

MANAGE YOUR WAY TO PERSONAL SU

FREE

FOR A 15-DAY LISTENING TRIAL...

An unparalleled opportunity to learn about your capacity for personal and business success



No. 1 in the new six cassette series

UNDERSTAND YOUR OWN POTENTIAL is the place to start . . . in this exciting adventure of managing your way to personal success.

In 15 days of *FREE LISTENING* you'll come away with a better evaluation of your personal assets than you've ever experienced before. That's a promise. If you think it falls short, return the cassette and you owe nothing.

But the case histories, dialogues, discussions and dramatizations you'll find in **"UNDERSTAND YOUR OWN POTENTIAL"** are worth hearing over and over again and sharing with others. The cassette starts with an imaginative voyage in self discovery by helping you answer: How Good Am I? . . . How Far Can I Go? . . . *How Far Do I Want To Go?* And you move on through valuable self-tests that reveal your weaknesses and strengths . . . your philosophical approach . . . your skill as a decision-maker . . . and an assessment of that all important ingredient, your self confidence.

Industrial psychologists agree that one common attribute of most successful people is their keen sense of self understanding. If you want to make the most of the asset that is you, that's the place to start. And that's why we offer Understand Your Own Potential as the springboard to the new six cassette seminar.

YOU'LL LISTEN YOUR WAY TO NEW SELF UNDERSTANDING IN THESE FIVE VALUABLE SESSIONS.

Session 1: **Set Your Own Pace to Success.** Deep down you are the one who really knows how far you want to go and the intensity of your desire to get there. But in evaluating your determination and motivation there are four intangibles you need to recognize. They have to do with how you value your time, how you expend your energy, how you assess your strengths . . . and being honest about your real goals. Here is a powerful new stimulus to thinking about yourself that you've never encountered before.

Session 2: **How You Can Learn About Yourself.** The wise man knows "he has only one enemy—himself." It's true, subtle damaging self-defences can hide your true feelings, passions and prejudices. So here are the psychological tools you need to go beyond "image protection" and find the weak points that can slow you down and submerge your real potential.

Session 3: **Where Do You Fit Philosophically?** In this amusingly constructed vignette, you peek in on a graduate school session and learn the difference between a realist, an idealist and a pragmatist. More importantly, you'll see which philosophy you identify with and how it affects your actions. (Hint: Play this section with your friends some evening. It will get you into a fascinating discussion about their philosophies and how and why they act as they do.)

Session 4: **How to Test Your Decision-Making Ability.** This is a self-learning participation session, where you actually test your decision-making ability as you listen. You have a chance to hear each decision-making situation, stop, decide your answer, and then hear the best decision and the reasons why. Along with it you get dozens of practical suggestions to strengthen your decision-making powers.

Session 5: **How to Build Your Self-confidence.** To better understand your own confidence, here are four points to scrutinize: what self-confidence is, what it is not. How lack of it shows up and . . . how to develop it. You meet familiar types who display various levels of self-confidence and learn how to guard yourself from the same mistakes that they make.

CCESS

"... most courses tell you how to manage things, or people, or money. But in this 6-part sound seminar you learn how to manage yourself ... sharpen the skills that will make you better, and ultimately, how to enjoy the rewards that success can bring."

—from the introduction to the new cassette series—
Manage Your Way To Personal Success

A PRICELESS ONCE IN A LIFETIME OPPORTUNITY TO REFLECT ON, ANALYZE AND DIRECT YOUR PROGRESS TO PERSONAL SUCCESS.

Start with **"Understand Your Own Potential."** If you agree to keep it, you then have the privilege of auditioning these remaining sound seminars in **MANAGE YOUR WAY TO PERSONAL SUCCESS:**

#2 SHARPEN YOUR PERSONAL SKILLS ... Here are tested ways to improve your Writing, Talking, Listening, Use of Your Time, Persuasive Powers. And the most essential skill of all—How To Think Straight.

#3 THE ART OF HARMONIOUS MOTIVATION ... Obviously you have to work with people and this cassette explores the elements of leadership, discipline, gaining co-operation, handling the problems of hostility, mistakes, internal change. And it ends with an aspect of motivation you may never have thought of ... your role as a model for others.

#4 YOUR PERSONAL PROMOTION PATH ... The answers concerning "upward movement" ... understanding your ambition ... evaluating your chances ... overcoming obstacles ... training yourself for promotion ... adjusting to a new promotion ... when to give up and move on ... plus the personal problems of executive mobility.

#5 PARLAY YOUR INCOME INTO WEALTH ... It's possible to move up in business without ever accumulating any treasure to show for it. This cassette features the art of saving, budgeting, investing, and includes topics such as bonuses, stock options, salary levels, taxes, insurance and pensions. In brief, how to keep and increase more of the money you make ... with sound counsel and advice from experts.

#6 THE JOY AND RESPONSIBILITY OF SUCCESS ... Treats with success at every level. Social responsibility, family responsibility, continued responsibility to the company and subordinates. But it also talks about planning for retirement, preserving health and even presents the intriguing possibility of starting a new career.

Six intriguing cassette seminars—each one comes to you for a 15 day free listening trial.

Approximately every 4 weeks a new seminar will go out to you for free auditioning. As with the first one in the series any one may be returned and you'll owe nothing if it falls short of your expectations. But you owe it to yourself to listen to the hundreds of guidelines offered in these interesting and unique sound presentations ... on practical, easy to use cassettes ... the memorable way to **MANAGE YOUR WAY TO PERSONAL SUCCESS.**

Start now with **"Understand Your Own Potential"** for 15 day free listening. Simply fill in, clip out the coupon and mail it to **Nation's Business**, 1615 H Street, N.W. Washington, D.C. 20006.

NATION'S BUSINESS, Sound Seminar Division
1615 H Street, N.W., Washington, D.C. 20006

PLEASE SEND ME **"Understand Your Own Potential"** for 15 days' free listening. If I'm not completely satisfied, I will return it and owe nothing. Otherwise, I will remit $7.95 (plus a few cents handling) and expect to receive for free trial listening each of the additional five *"Personal Success Seminars"* to be issued at 4-week intervals. I am not required to accept any minimum number and may cancel at any time.

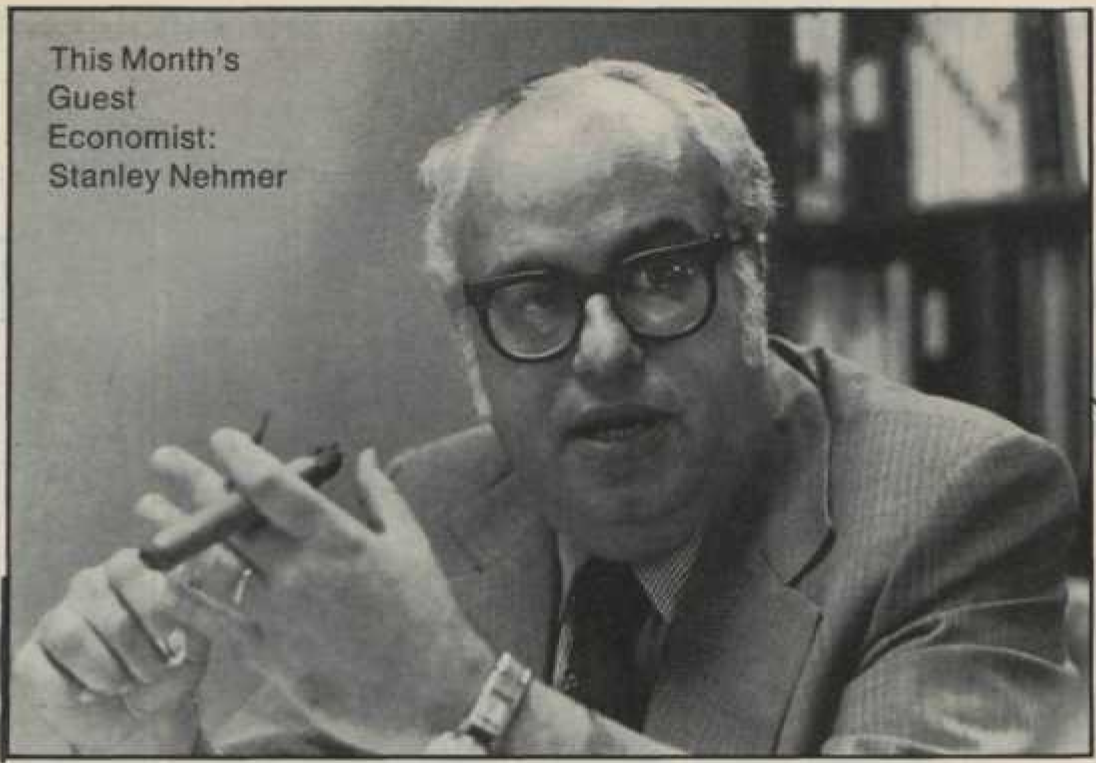
Name____________________

Address____________________

City__________ **State**________ **Zip**______

NB 311

Mag. art 11-1-73



Stanley Nehmer is director, economic consulting services, for Wolf and Co., a national accounting firm. He is a former Commerce Department official.

Dilemmas of Export Control

A little used authority—export controls on commodities in short supply—has surfaced as a policy instrument in the Nixon Administration's economic stabilization efforts.

In the space of eight days, from June 27 to July 5, 41 agricultural products and 10 types of ferrous scrap were placed under export control by the Secretary of Commerce under authority of the Export Administration Act of 1969. Four days later, 10 types of raw cotton were made subject to a reporting requirement on export orders, the step that preceded placing export controls on the other commodities.

The importance of export controls as a tool in the Administration's economic stabilization efforts was underlined by President Nixon in his June 13 address announcing a price freeze. He pointed out that one major reason for the rise in food prices was the unprecedented demand abroad for American agricultural products. He announced a basic policy decision: "In allocating the products of America's farms between markets abroad and those in the United States, we must put the American consumer first."

Export controls on soybeans were established when it was determined that soybean and soybean meal prices in mid-June were more than 200 per cent and 300 per cent, respectively, higher than a year earlier. Exports during the 1973-74 marketing year were anticipated to be 350 per cent higher than the previous year for soybeans and 100 per cent higher for soybean meal. When controls were instituted on ferrous scrap, data showed that 1973 exports were anticipated to be two thirds higher than last year.

The export control actions in June and July were taken pursuant to legislation which requires that before such actions are taken there exists a domestic short supply of a particular commodity, and that it is caused by abnormal foreign demand, with resulting inflationary pressures.

In the case of agricultural commodities, there is the additional requirement that the Secretary of Agriculture must approve the action, and that he shall not give his approval if he determines the total supply is in excess of domestic requirements (unless the export controls are needed for foreign policy or national security reasons).

The use of export controls as a tool to slow down price increases and assure an adequate supply of goods for domestic consumption has presented several dilemmas to the Administration.

It has been suggested that these controls are inconsistent with the national effort to expand exports to offset the trade deficit, which reached an all-time high of $6.3 billion in 1972. Agricultural exports have been in surplus for some time as a result of a conscious effort by farm groups and the government to cultivate export markets.

Estimates place the loss in export earnings from controls on agricultural exports in 1973 at $300 million to $500 million. There is concern over the long-range effects on American agricultural exports since importing countries will probably seek other suppliers.

Concern has also been expressed

Time to call Talcott.

A single order for 35 peanut combines is a little more than you can chew right now.

It's the third big order you've promised to ship before harvest time. And your raw materials inventory is disappearing like peanuts at the Zoo.

You already need bearings and chain. And money to pay for them. And a lot of cast iron—angles, flat bars and sheet metal. And more money.

And wouldn't you know it. Your receivables are good and salty. But your bank balance is in a crunch.

Time to call Talcott.

Our Business Finance Division can get you cash fast. We might advance you money against your receivables. Or loan you money to buy your angles, flat bars and sheet metal.

There are all kinds of possibilities.

The key thing is to get you cash fast. So when a hot order for combines rolls in, you can make some money on it.

Instead of getting roasted.

Still time to call Talcott.

Your hot peanut combines are ready to eat up a few peanut fields.

You're shipping today. And things will cool off for awhile. Your orders have slowed down. So has your plant.

Perfect time to restock and do some expanding. Buy parts and materials. A couple of new lathes. Maybe an automatic burning machine.

But that takes cash. And your customers are munching on most of yours.

Still time to call Talcott.

We helped you when business was hot. Now we can help you restock and do some expanding.

Whether you make combines, pizzas or rotors, we can help. In addition to Business Finance, we offer Factoring, Special Loans, Supplemental Commercial Mortgages, Venture Capital and Computer Leasing.

It takes money to make money. Talcott can supply the money—if you want to make it.

For information contact James Talcott, Inc., Business Finance Division, Oakbrook North, Oak Brook, Illinois 60521. (312) 654-3850. Or call:

Atlanta (404) 658-1160. Boston (617) 542-8766. Chicago (312) 782-9044. Dallas (214) 742-2546. Detroit (313) 962-8600. Los Angeles (213) 620-9200. Miami (305) 377-9561. Minneapolis (612) 339-7711. Newark (201) 642-6740. New York (212) 956-2940. San Francisco (415) 434-1400.

Guest Economist

continued

that the export controls will make it more difficult for the U.S. to achieve its objectives at the forthcoming multilateral trade negotiations.

The U.S. has been endeavoring for some time to persuade Japan to phase out its import quotas on agricultural commodities, and the European Community to modify its common agricultural policy—a policy which has had the effect of restricting agricultural imports from this country. Before export controls were imposed on agricultural products, various economists were estimating that elimination of barriers on American agricultural exports in Western Europe and Japan could lead to an expansion of $3 billion to $5 billion annually in these exports.

It has also been pointed out that the export controls will hamper the efforts of the U.S. to nurture good relations abroad.

Henry Kissinger, in his historic speech last April on the Year of Europe, spoke of a new Atlantic Charter establishing a new relationship of harmony and cooperation between the U.S., Canada, Western Europe and Japan.

France's reaction to the controls on soybean exports, according to press reports, has been to call the action "American aggression."

In fairness to the Administration, however, it should be noted that many countries have used export controls as a traditional policy instrument to assure adequate domestic supplies. The European Community does not permit ferrous scrap exports. Canada has placed controls on petroleum exports to the U.S. to guarantee adequate supplies for Canadian consumers. Argentina's export controls on cattle hides, which have caused substantial price increases in the U.S., are part of that country's program of assistance to its developing shoe industry.

The Nixon Administration views its use of export controls as "temporary" and acknowledges that they are "undesirable." But with inflation as a major domestic crisis, there is little question that export controls will continue to be used as often as may be deemed necessary, as one of the few tools available to help solve this national problem.

Filed in Quote file under figures

THE GREAT EMPLOYMENT

While the miseries of inflation and high interest rates have been stealing headlines, another momentous economic story of the day has been left largely untold.

This is the story of a great employment boom, which has set its own records and proven again the strength and efficiency of the American economy. Still further important employment developments are in store for the future. They are tied closely to your future taxes and future profits.

Today, when critics say our economy isn't working right and when even some conservatives back government stabilization controls, it is reassuring to know that the U.S. system is providing more people with jobs at more pay than ever.

So far in the 1970s, the number of new jobs has risen more than twice as fast as the rise in population.

"We're getting fantastic increases in employment—2.9 million in the past year. That's about one million more than expected. The increase has never been this dramatic before." So says Denis F. Johnston, senior demographic statistician in the U.S. Labor Department's Bureau of Labor Statistics, which keeps tabs on employment and unemployment figures.

At the same time, personal income from wages and salaries has zoomed nearly 30 per cent since 1970. Real incomes have risen faster even than raging inflation.

The President's Council of Economic Advisers recently termed the upsurge in employment "one of the outstanding developments of the first half of 1973 . . . not only absolutely but also relative to the population."

It should be noted that the job market has had to soak up not only many experienced workers but also a flood of inexperienced teen-agers, plus wives and mothers coming back into the labor market, as well as several hundred thousand veterans of Viet Nam.

The great employment boom has brought tight labor markets to many locations. Job hopping has been on the rise, with 3 per cent of all manufacturing workers voluntarily quitting their jobs each month. Help-

BOOM The facts show that our economy is doing a truly impressive job of providing jobs

wanted advertising has continued to fill classified pages.

One index of the boom is the employment rate for workers in durable goods manufacturing. Economists who specialize in manpower watch closely the job rate in the durable goods sector, which includes auto, steel and electrical equipment, for instance. Although it represents only 12 million employees out of more than 85 million people at work, it is considered the "engine of the economy."

The unemployment rate for this group has dropped from over 7 per cent in the 1970-71 recession to close to 3 per cent now.

Employment opportunity is closely tied, in the American economy, to the profits system.

As one business leader, Carl A. Gerstacker, chairman of Dow Chemical Co., put it recently: "The simple fact is that when profits climb, jobs climb; when profits decline, jobs decline."

Record profits in 1973 provided the capital for growth, financed the multiple functions of business and attracted the investment for still more job-creating expansion.

Of course, some still maintain that we do not have full employment even with the overall jobless rate at 4.8 per cent—and at 2.1 per cent for married men, and 2.7 per cent for all "heads of households." They argue justifiably that it is a personal tragedy if any individual who is willing and able to work is off the employment rolls.

A political football

But politicians long have used the unemployment statistics as a political football. The bad news of fractional percentage point increases in unemployment make headlines. But new highs in employment are rarely heralded.

The Employment Act of 1946 made the federal government responsible for promoting "maximum employment." The first time that full employment was officially quantified was in 1947 when President Truman's Council of Economic Advisers said that 3.9 per cent, the then-current rate, was close to the "minimum, unavoidable" level.

A 1954 study by the Congressional Joint Economic Committee said that when unemployment was at 4 per cent the jobless would mainly be new entrants into the labor force and workers shifting to new jobs.

Walter Heller, chairman of the Council of Economic Advisers under President Kennedy, set forth in 1962 the interim target of full employment as not more than 4 per cent unemployed.

Some union officials and some members of Congress have called for massive federal government spending to try to shrink the jobless rate to 3.5 or 3 per cent. But in recent years, the 4 per cent figure has had wide bipartisan approval.

Through the years, the full employment question has been tied to inflation. Most economists agree that there is some trade-off between inflation and unemployment. Government attempts to drive the jobless rate below a certain "normal" figure by stimulating the economy tend to drive up prices. But there is little agreement as to what is "normal."

Workless wives

Lately, the idea has been put forth that something more than 4 per cent unemployment may, in truth, be closer to real full employment.

Some economists and labor force specialists have noted that teen-agers and women—many of the latter wives whose husbands have adequate jobs—make up a larger portion of the labor force now than they did a decade ago and that their unemployment rates are higher than for adult men. It is argued that this puts upward pressure on the unemployment rate.

Another pillar of support for the thesis that we're closer to full employment even if more than 4 per cent are reportedly jobless is that part-time workers represent a higher percentage of the work force than in the past—an increase of about 30 per cent in the past decade. Part-time workers have a higher jobless rate than full-timers.

Although the unemployment rate has dropped below that level in wartime, the lowest peacetime jobless figure was 3.8 per cent in 1948. And the average unemployment rate for all of the past 20 years has been 4.5 per cent. The unemployment rate today would probably be among the lowest in history if the growth in the labor force this year had been only a normal 1.6 million instead of 2.9 million.

Who are the unemployed—4.1 million is the latest total for them—and how does the Labor Department estimate their number each month?

Some 47,000 households are queried by 1,000 part-time interviewers to arrive at the statistics. Persons are counted as unemployed if they say they don't have jobs but are seeking employment. They are considered to be looking for work whether they have registered with an employment agency or merely have checked with a friend or relative. They also are counted as unemployed if they are actually hired and just waiting to start a new job within 30 days, or are waiting to be recalled from a layoff.

The unemployment figure embraces many who not only don't have families to support but who—such as teen-agers living at home—may be supported by others.

The average duration of unemployment is 10 weeks. Even in the 1970 recession, only 235,000 people over 16—out of the whole U.S. work force—were jobless for more than half a year.

No true unemployment should be brushed under the rug. But the dark side certainly has been exaggerated and sometimes exploited to support massive federal spending to cure "high" unemployment.

"Discouraged" disappear

For instance, during the Kennedy years, a decade ago, government officials came up with the notion that the labor force was composed not only of those either working or seeking work but also of millions of discouraged or hidden unemployed who didn't look for jobs because they thought the search would be in vain.

Now, after years of study, the Labor Department has found that most

of the so-called hidden unemployed have evaporated. According to a recent report by Paul O. Flaim of the Bureau of Labor Statistics, there are only about 700,000 "discouraged" workers and of these only about 70,000 are men 25 to 59. Moreover, "most discouraged workers regard their status as only temporary," Mr. Flaim states, and more than 80 per cent plan to seek work again.

Many critics of the welfare system complain it encourages unemployment by creating a "why work?" psychology.

Some examples of this have been collected by Robert O. Snelling Sr., chairman of Snelling and Snelling, Inc., a private employment-service company. For instance:

- In September, 1972, when New York required employable adults to pick up their welfare checks at state employment offices (where they could be told about available jobs or be ordered to take part in such public projects as cleaning up highway litter), 18,000 never showed. Some sued, crying "slave labor," and the Department of Health, Education and Welfare in Washington called it illegal harassment, but the Supreme Court has upheld the plan.
- In Philadelphia, teachers collected welfare and food stamps during the summer vacation, even though many of them earned more than $10,000 on annual contracts.

Generous unemployment compensation, federal minimum wages which keep some employers from hiring inexperienced teen-agers, and archaic union work rules that keep able people from learning trades all stand in the way of full employment, too.

The years ahead

A future slowdown in business and a squeeze on profits would probably take the bloom off the employment boom, as has happened in the past.

Some economists are concerned that the credit crunch, which has slowed the construction industry, will enlarge the unemployment rolls. But Secretary of Labor Peter J. Brennan has predicted that needed power plant, refinery, pollution abatement and public works construction can take up some of the slack from the housing industry.

Looking even farther ahead, some developments in the labor market can be forecast while other factors can be seen only vaguely. [See "Where Will the Jobs Be?" NATION'S BUSINESS, March, 1972.]

As Labor Department demographic statistician Johnston points out, the effect of continuing inflation on the work force is uncertain. "It may be that inflation is a stimulating factor that draws people into the labor market to help pay for costlier living," he says.

Many young people trained in the social sciences, who can't readily find jobs suited to their education, could be a problem, he notes.

The expanding number of Americans in their 20s and early 30s—the family formation years—"will be buying everything and mortgaging themselves to the hilt," assuming they have jobs, he adds. "It should have a tremendous booming effect on the economy."

Will the economy continue to be able to provide additional jobs at the same rate? Can profits pay for the needed expansion?

We don't know. But we do know what will happen to the size and composition of the work force in coming years.

From now until the end of the 1970s, it will expand at an annual average rate of 1.7 per cent so that it will reach nearly 102 million people by 1980, according to the latest (admittedly conservative) projections of the Bureau of Labor Statistics.

After 1980, the rate of growth will decline, averaging only 1 per cent during the 1980s. The work force at that time will be much different from that of 1960 or 1970, according to the projections.

The median age of working people, for example, which slipped from 40 to 38 during the 1960s, will drop more rapidly during the current decade, hitting 35 by 1980. The number of workers 25 to 34—the baby boom generation—will hit 26.8 million by 1980 (the present figure is 17.7 million) and 30.5 million by 1990.

About one out of three women aged 25 to 34 had jobs in 1960. Nearly 45 per cent worked in 1970. Projections indicate that more than half the women in this age bracket will be holding jobs by 1980.

The working group aged 35 to 44, the source of much of middle management, is projected to rise by 1.9 million during the '70s—numbering 18.7 million in 1980 and jumping to 23.2 million by 1985.

The 45 to 54 age bracket, from which top management is normally drawn, will decline by nearly 600,000 in the '70s and continue the decline until 1985 before it rises again.

So the outlines of the job picture can be seen. What we don't know is whether inflation can be contained while full employment is maintained. What we do know is: Expensive government programs often have failed in providing jobs. Expanding business profits have always succeeded in providing jobs. —TAIT TRUSSELL

WORK FOR THOSE WHO WANT IT

Are there jobs for the jobless?

A new national survey says there are. Nearly three million work opportunities of all kinds are going begging, according to a study done for the National Employment Association by Snelling & Snelling, the country's largest private employment agency.

The survey made what Board Chairman Robert O. Snelling Sr. called "very conservative" estimates of employment openings from a variety of sources.

Available jobs break down like this: Advertised in newspapers, 714,712; offered through private employment services, 1,145,000; domestic jobs, 20,000; jobs advertised on premises, 400,000; openings offered through the U.S. Employment Service, 635,000; military, 30,000; civil service, 40,000; total, 2,984,712.

what readers want to know

• It's said that Secretary of Labor Peter Brennan is in hot water with both the Nixon Administration and George Meany. What's the story?

The former New York building trades union boss does appear to be caught between the frying pan and the fire. AFL-CIO President Meany seems convinced that Secretary Brennan has sold labor out to the Nixon Administration. This stems principally from the fact that Mr. Brennan has not shown the kind of support for a higher minimum wage and the Burke-Hartke bill (which unions contend would halt alleged exportation of American jobs) that the AFL-CIO would like to see.

Frequently, mail to editors of Nation's Business shows patterns of curiosity about developments in Washington. From time to time, we'll try to answer some of your questions.

The White House, on the other hand, is miffed that Pete Brennan did not push vigorously for union support of Nixon economic programs. The Labor Secretary, who is said to carry a pearl-handled revolver, also projects a kind of flamboyance that doesn't fit in the mold of the Nixon team.

• Does anybody know how many federal laws are on the books?

Not even Solomon would, if he were still around.

First, there is the Constitution. Congress, of course, annually passes laws by the bushel basket. Then there are innumerable rulings of the U.S. Supreme Court and other federal courts which in effect are laws. And there are scads of regulations promulgated by various federal agencies which must be regarded as laws since they affect so many businesses and others.

The Library of Congress, the nation's greatest storehouse of information, won't even hazard a guess.

• Do I hear correctly that Representatives and Senators are getting another pay raise?

It almost happened.

To get the onus of giving themselves raises off their backs, members of Congress set up a system in 1967 under which the White House would review their salaries every four years and the President would decide whether their pay should increase. This would stem the criticism which followed their voting themselves salary boosts.

This year, there was a move to reduce the review period from four to two years with all reviews falling in odd-numbered years—in other words, in those years when Congressmen are not up for reelection. They were prepared to put this across with the expectation the President would O.K. a pay hike from $42,500 to at least $50,000.

But at a time when almost everybody else was under wage controls, Congress finally backed down and decided to get by on its present pay. Next year is an election year so Congress is likely to do nothing more about salary until 1975.

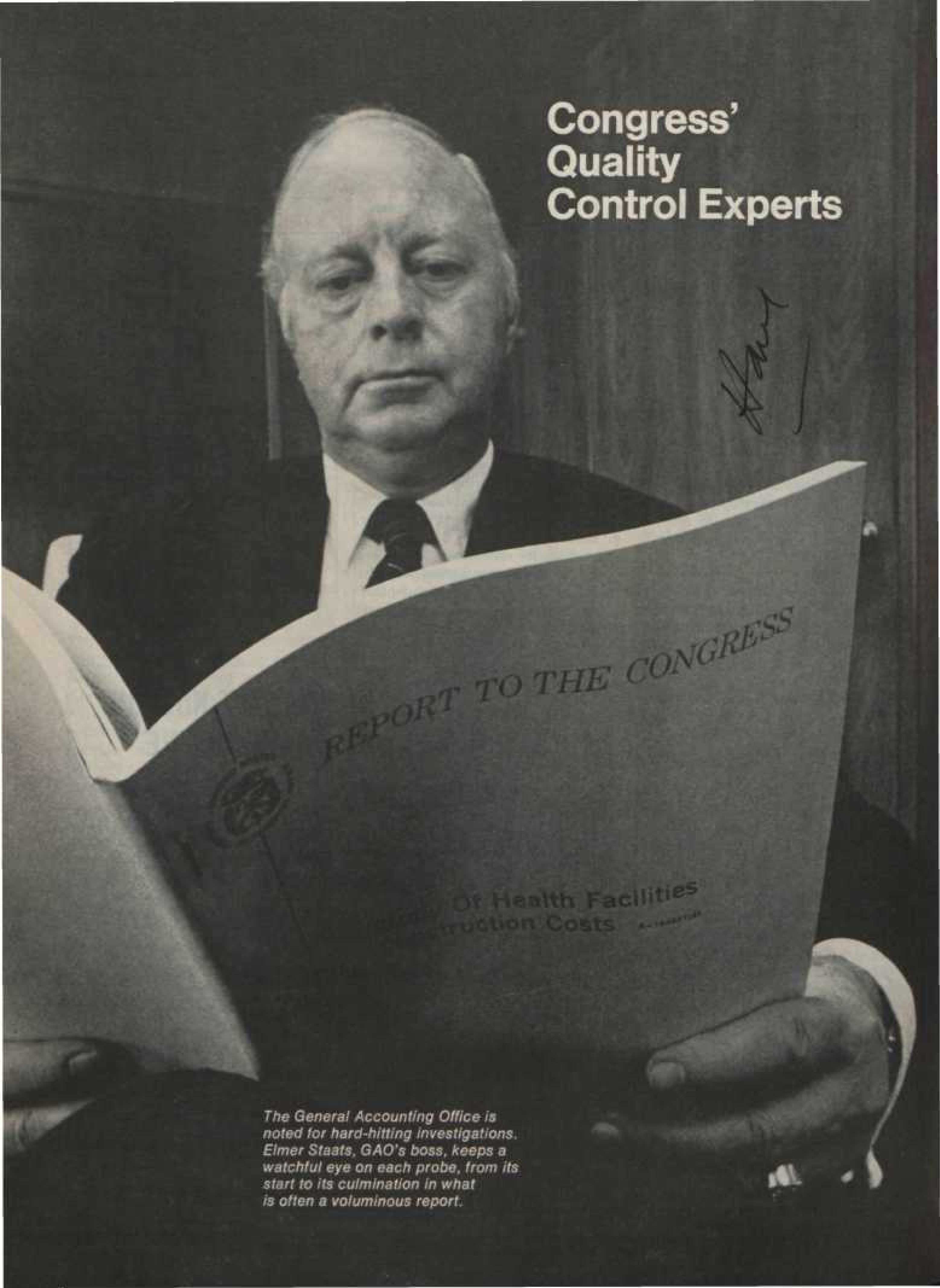
• Why would any Senator announce almost two years in advance that he is not going to run again, as did Harold E. Hughes of Iowa?

Sen. Hughes had made up his mind he could do more good outside the Senate tackling such ills as alcoholism and drug abuse. The Senator, an alcoholic who has conquered his own drinking problem, says he wants to devote more of his time to "giving every man a sense of dignity and self-respect."

Ordinarily, Congressmen wait until closer to election time—when their reelection chances are clearer—to make such a decision. The Iowa Democrat simply decided not to wait.

And he's not alone this year. Four other Senators have also said they will not seek new terms. Their reasons include age—two are in their 70s—ill health, and frustration with the Senate.

Congress' Quality Control Experts



The General Accounting Office is noted for hard-hitting investigations. Elmer Staats, GAO's boss, keeps a watchful eye on each probe, from its start to its culmination in what is often a voluminous report.

11x14 B&W filed in Junker file

2–8x10 photos of Hagen to the Congressman file in Junior file under Staats

When Capitol Hill wants to learn whether we're getting what we're paying for, it turns to the people at GAO

When the Defense Department could not decide two years ago between rival tactical airborne reconnaissance systems being developed by the Army and the Air Force, the General Accounting Office stepped in with a factual and highly professional report indicating that the Army's system was clearly best and would meet the needs of both services.

The Secretary of Defense accepted GAO's finding and canceled the Air Force project, saving taxpayers $510 million.

A few years earlier, Congress asked GAO to make a comprehensive study of antipoverty programs. GAO found, among other things, that the expensive program of putting ghetto youths in camps in the countryside was not helping the youths. The Nixon Administration acted on GAO's recommendations and phased out these camps, at a saving of hundreds of millions of dollars.

GAO, one of the least known of government agencies, has become one of the most effective in recent years under Comptroller General of the United States Elmer Staats, who runs it.

For an annual expenditure of around $100 million, GAO returns to taxpayers close to $300 million a year, on average, in savings on federal programs.

An unusual government agency? Indeed, and not only because it saves $2 for every $1 of taxpayers' money spent. GAO also is the only sizable government agency which reports directly to Congress rather than to the President, although the President appoints its top two officials.

GAO was established in 1921 when Congress decided it needed a better grip on the already burgeoning federal budget. The same legislation also set up the Bureau of the Budget, now called the Office of Management and Budget, which—unlike GAO—works for the President, not Congress.

GAO was long sort of a superaccountant for the sprawling federal establishment. But during the last 15 years, and particularly since Mr. Staats took its helm in 1966, it has become far more than that.

In testimony before a subcommittee of the House Appropriations Committee, Mr. Staats described the concerns of the modern GAO as threefold:

- "The fiscal accountability and the fiscal integrity" of operations throughout the federal government.
- "Utilization of resources, how well managed they are, whether they are handled economically and efficiently." Involved here, he explained, is "a straight-management kind of analysis of ways in which you can make savings and more economical use of personnel, equipment and all the things that go into a program."
- "Seeing whether the programs are working." This, he explained, "may be much more important than anything else we can do," because it means trying to advise Congress, when a program is coming up for reauthorization, how the program "has really worked out in accordance with the intent of Congress."

The answer isn't always Yes

Mr. Staats, 59, is not even an accountant. A native of Kansas, he has a doctorate in public administration from the University of Minnesota and was the top career officer in the Budget Bureau before moving to GAO, where he is now in the middle of the comptroller general's 15-year term. At the Budget Bureau Mr. Staats served as deputy director under four Presidents—Truman, Eisenhower, Kennedy and Johnson (who appointed him to the GAO job). Only governors of the Federal Reserve System, whose terms of office are for 14 years, and federal judges, appointed for life, have the kind of security and independence that comes with the comptroller general's job.

Known as a scrupulously fair man of highest integrity—the civil servant's civil servant—Mr. Staats has been able to accomplish so much not only because of his own wide knowledge of the federal government but also because of his reputation for probity.

Most of GAO's work is done under the agency's basic power to audit activities of virtually all federal agencies—the principal exceptions being the Federal Reserve System, the Comptroller of the Currency and certain intelligence operations—or under specific directives from Congress.

However, a fourth to a third of its work stems from requests from individual Senators and Representatives. Mr. Staats reserves the right to turn down such requests.

"We've always got to be in a position," he says, "of being able to say No to a Congressman who comes to us for some work that we do not think is proper or which we think is politically motivated. We always have to maintain the discretion to move into areas on the basis of our decision rather than of somebody else's."

He adds:

"There are some people who would just like to use the GAO to club somebody else or to get information. They are not interested in GAO's views or anything else; they just want us to get information that they can't get. . . . We don't think that is an appropriate role for us to play."

Congressmen who want to use

JULIUS DUSCHA, *author of this article, is director of the Washington Journalism Center and has written two books dealing with federal fiscal policies—"Taxpayers' Hayride" and "Arms, Money and Politics."*

Congress' Quality Control Experts *continued*

GAO as their bait for governmental or personal fishing expeditions are sometimes miffed by Mr. Staats' stiff stand, but that stand basically has served to enhance GAO's stature on Capitol Hill.

GAO reports are respected and used by such liberal Senators as William Proxmire (D.-Wisc.) and Edward M. Kennedy (D.-Mass.) as well as by such conservative Representatives as H.R. Gross (R.-Iowa) and George Mahon (D.-Texas).

By federal standards, GAO is rather small potatoes. It has only 5,000 employees, 3,000 of whom are accountants and such other professionals as engineers, scientists, lawyers and computer analysts. But with the charge given it by Congress it has broad authority to roam the federal establishment to find out exactly what is happening. And it has the advantage of not having a vested interest in any of the federal programs.

In search of lost power

As Congress seeks to recover some of the power it has given or lost to the President over the years, leaders on Capitol Hill are turning more and more to GAO for professional help, handing the agency important new assignments all the time.

In 1971, when Congress revised the law governing the spending of funds in Presidential elections, it gave GAO authority to administer the new law. In the supercharged atmosphere of the Watergate scandals, GAO has carried out this difficult job scrupulously and fairly through its Office of Federal Elections headed by Phillip Samuel Hughes, an old Budget Bureau hand brought to GAO by Mr. Staats.

In 1972, when Congress approved President Nixon's revenue-sharing plan, it ordered GAO to keep a close check on the way the new program was working and on how states, cities and counties were using federal funds made available to them. In the first of what will be a continuing series of reports, GAO told Congress that education programs were the principal beneficiaries of the initial revenue-sharing funds given to state governments.

Quickly sensing the changing mood on Capitol Hill, GAO itself has been trying more and more to anticipate Congressional needs. Early in 1973, for example, the agency had ready for members of Congress a comprehensive report on the costs and problems that would come with the all-volunteer Army that the Nixon Administration was trying to establish. In 1973, too, GAO spotlighted water pollution problems and the often conflicting federal efforts to deal with them.

In another area of the defense program, development of expensive weapons, GAO makes available to the Senate and House Armed Services and Appropriations Committees early each year detailed studies of all weapons programs under way in the Defense Department. The Committees use these reports as they struggle with the always difficult defense priorities.

Sen. Proxmire and other Capitol Hill critics of the Defense Department have charged GAO with substituting these studies for hard-hitting reports that the agency used to issue on individual defense contractors and problems with specific military projects. But Mr. Staats vigorously rejects such criticism.

"If the contractor is at fault," Mr. Staats points out, "we think he should be named and be out there in the public eye just as much as anybody else. But if we are evaluating the management and process of the contracting system of an agency, and that is where the fault is, that is where we ought to put the spotlight. The fact that the contract itself is the end result of that system is not as important as remedying the source of the problem."

In another significant area GAO reported last summer that the Agriculture Department had mismanaged the huge U.S. wheat sale to the Soviet Union in 1972. As a result of the Department's approval of excessive subsidies to exporters of wheat, GAO said, Americans were being forced to pay more for their food.

GAO's report on the wheat sale graphically illustrates the agency's increasing importance. Shortly after the sale was made, a Congressional committee looked into the circumstances of this precedent-setting deal, but the hearings were held in the

midst of the Presidential campaign by a Democratic-dominated committee and quickly took on a political coloration. Then GAO exhaustively investigated the sale and presented its factual report in fair, judicious language.

The report, however, was not issued until a year after the wheat sale had been made, and there was criticism of GAO as a result. But a genuine investigation takes time, and the report had great impact even so long after the fact.

Thanks to the GAO report and other criticism of the wheat sale, the Agriculture Department is going to be considerably more careful in working out future deals with the Soviet Union, or any other country, for the purchase of large amounts of American commodities.

What's in the works

In the current year, major GAO projects include an ambitious examination of all federal energy programs to determine whether Departments and agencies concerned with energy supplies and problems are coordinating their efforts.

Another significant project now under way involves a study of the quality of the nation's mail service. Special attention is being given to the Postal Service's efforts to modernize and mechanize the handling of bulk mailings.

Over at the Justice Department, GAO is reviewing the large Law Enforcement Assistance Administration grant programs to state and local police departments, as well as federal enforcement of narcotics laws.

In the Commerce Department, the Economic Development Administration and the Office of Minority Business Enterprise will be under intensive GAO scrutiny.

In these and all the other areas of the federal government where GAO is undertaking studies the agency is not raising questions about federal policies. Rather, it is looking into whether existing policies are working.

"We wouldn't recommend one approach as against another," Mr. Staats told Congress not long ago in discussing GAO's study of energy programs. "We would not propose that GAO should come up with a series of recommendations on which of these energy sources ought to be pursued, but we do think we have an obligation of advising Congress how well . . . we think money is being spent for research on various energy sources. . . ."

Nothing in the area of federal management seems beyond the purview of GAO's inquisitive minds. The agency even has a study going to try to measure and improve productivity in the government. So far it thinks it has developed workable techniques through which productivity of at least half the federal work force can be measured with reasonable accuracy.

GAO is still seeking to improve and expand these techniques.

By moving beyond traditional accounting problems and becoming concerned with developing the best management techniques to meet the goals of federal programs, GAO has won so much new respect on Capitol Hill—and grudging admiration from federal executives concerned with good management—that some Congressmen would like to make the agency Capitol Hill's own Budget Bureau, riding herd on all federal spending with a tough mandate to keep it in check.

However, Mr. Staats says: "We don't see ourselves becoming the Budget Bureau for Congress. There would be potential conflicts there between our oversight responsibility and working day to day with legislative and appropriations committees.

"Congress is surfeited with information, so the problem isn't a lack of information. The problem is that the information needs to be much better organized. We have been urging Congress to write into the laws themselves the exact kind of evaluations, information and reports it wants us to prepare to make sure that the laws are being carried out in the way it intended."

Whether or not GAO becomes a Congressional Budget Bureau, the agency will continue to exercise more and more influence because information is power, particularly in Washington, and GAO develops a lot of information. END

Speaking Out for Better Output

Improving productivity, says a federal commission, is everybody's job—labor's, industry's and government's

Television viewers this fall have been watching 30- and 60-second spots that show a man standing in the middle of a highway beaming with pride at a yellow median strip he's just finished painting. He's printed his name on the pavement to take credit for the job.

The ads go on to facetiously suggest that name-signing for such workaday feats would help make people strive a little harder to do quality work.

In addition to the TV spots, there are 3,500 billboards around the countryside and on public transportation vehicles proclaiming: "America. It only works as well as we do." Major magazines have been carrying full-page ads asking such leading questions as: "Would you hire you?"

It's part of a year-long advertising campaign by the National Commission on Productivity, in cooperation with the Advertising Council, to "humanize" productivity.

Surveys show that workers and managers alike tend to associate productivity growth with working harder and with all the benefits going to the company in the form of higher profits. The Commission, however, points out—as do economists—that over the years gains in output per employee have made work easier, more pleasant and more gainful for employees.

Productivity gains in this country have been made possible, the Commission notes, by such sweeping factors as improved management techniques, especially since the advent of the computer; an infusion of capital that has put newer and better tools in the hands of workers and has built more efficient plants; and by better trained, better motivated and more mobile work forces.

The ad campaign is probably the first glimpse many people have gotten of the work of the Commission. It was set up in June, 1970, by President Nixon to focus national attention on the need for productivity growth and to coordinate public and private action to achieve it.

Concern about productivity was generated when the United States' productivity growth rate measured by output per man-hour fell out of bed, declining from the 3.2 per cent annual level it had maintained for several years to about 1 per cent a year in 1969 and 1970. While a drop in productivity is normal before a recession as in 1970, the drop was the worst since 1953.

At the same time, productivity rates moved up strongly in Western Europe and Japan. The United States' competitive position in world markets suffered.

NCOP officials aren't suggesting the ad campaign is going to make people work harder and improve productivity. "All the campaign can do is try to make the notion of the word more acceptable," comments John M. Stewart, the Commission's executive director. "Therefore, we have a campaign that has some humor in it. It is oriented heavily toward quality, which is as important as quantity."

Public visibility appears to be something the Commission could use more of. Congressional critics complain it hasn't made much progress in focusing interest on productivity growth. They say NCOP hasn't moved fast enough or had any significant impact.

Some of that irritation came to light last summer when the House of Representatives blocked NCOP's \$5-million authorization for fiscal year 1974. But favorable action on funding the Commission is expected from Congress soon.

Mr. Stewart points out the Commission has no authority to compel changes, but must depend on cooperation from industry, labor and government. "Productivity improvement cannot be achieved by legislation or government decree," says an NCOP publication, adding that the Commission's role is "a central clearinghouse for information and a catalyst for action."

NCOP handicaps are also noted by C. Jackson Grayson Jr., who was chairman of the Price Commission in Phases I and II. NCOP, he argues, "is underfunded and limited to what it can do as a government agency."

With labor, management and public members on its board of directors, Mr. Grayson contends, it is subject to "public pressures." Further, Commission Chairman John T. Dunlop, who also is head of the Cost of Living Council, has his hands full running Phase IV, Mr. Grayson says.

He thinks a privately-funded institute devoted to improving productivity is the way to approach the problem.

But if the Commission has not made much of a public splash and has gotten some Congressional flak for not moving fast enough, it has been quietly grinding away and trying to whittle the huge area of productivity improvement down into manageable chunks.

To get things rolling, the small NCOP staff (20 members) organized studies of activities that have a major impact on the consuming public—the food and health industries, and state and local government.

Seventy representatives of food manufacturers, retailers and wholesalers, farmers and labor unions met and identified over 50 practical opportunities for improving productivity in the \$118-billion-a-year food industry.

A three-day conference was held last July in which governors, mayors, county officials and union leaders met to recommend productivity improvements in state and local government.

Currently, pilot productivity improvement projects are being spon-

Different approaches have been tried in the NCOP campaign on productivity. An early theme of "Don't Goof Off" was killed quickly when it became apparent you couldn't accuse people of goofing off and expect them to change their attitudes about their jobs. Current TV ads use a light touch to emphasize the importance of quality performance. "What if we all had to sign the work we do?" an announcer asks, and then comments on these scenes as follows:

Everybody would try to do his job better.

Just out of pride.

And we'd help keep jobs . . .

here in America.

For now . . .

. . . and the future.

Better Output *continued*

sored in St. Petersburg, Fla., and in Nashville, Tenn. In Nassau County, N.Y., a joint labor-management team is looking into more effective county operations, anticipating sharing the benefits of such improvement with labor through collective bargaining.

Also in local government, an NCOP task force of top police administrators is identifying ways of more effective operation and expects to disseminate the findings to police departments around the country. Another Commission task force of experts in solid waste management has identified ways to improve collection service and reduce costs.

And medical care experts from hospitals, insurance companies, unions and professional organizations are meeting to find ways of raising productivity in the health care field.

In addition, NCOP has been involved in recent efforts to develop productivity measurements for the federal government. Also, an NCOP-sponsored conference on measuring productivity in construction, held in September, 1972, led to efforts by unions and trade associations to improve information in this area.

Another Commission activity is a quality of work program aimed at testing new ways of increasing job satisfaction—and productivity—by giving employees more say about their jobs and by using their skills more fully.

NCOP is currently supporting technical assistance at three projects on the quality of work. Two coal companies, in cooperation with the United Mine Workers, seek methods to improve employee morale and reduce accidents; productivity problems at an auto parts assembly plant are being examined by United Auto Workers Union members and management teams; and a labor-management team in Jamestown, N.Y., is making a community-wide effort to improve the quality of working life, with an eye to improving productivity.

Plans call for quality of work projects to be set up in 10 to 20 different fields, such as textiles, hospitals, medical supplies and local government.

Following is a question and answer session with NCOP's John Stewart:

PHOTO: GEORGE TAMES

Harris Polls have disclosed lots of public suspicion about what happens when productivity goes up. NCOP's John Stewart refers to a chart on unemployment.

Mag cont 11-1-73

What do you see as the Commission's role in improving productivity?

There are lots of built-in motivations for productivity improvement. The profit motive, for example, in corporations. Law enforcement people have pointed out productivity goes up in their field if one police chief just happens to be an innovator.

But in much of our society there is no built-in motivation to increase productivity. For example, many government regulations depress productivity. They were designed for other reasons; they have a secondary effect.

Could you give an example?

Sure. In the Commodity Credit Corp. there's a rule that all cheese has to be bought in 40-pound blocks. Men used to be able to lift only 40-pound blocks. Now we have material handling equipment that can lift 400-pound blocks, but there is no incentive to change that requirement. We've estimated there are 2,000 regulations on the growing of food alone in the federal government and no one knows how many depress productivity and how many enhance it.

So, that's the sort of problem the Commission addresses. Some organizations must take responsibility for dealing with the more important productivity problems between government and industry and between different industries.

Is the United States behind or out front, compared to other industrialized nations, in attacking these problems?

In Europe the French and German productivity councils were started under the Marshall Plan in the 1950s.

A Japanese productivity center was started in 1953 at the urging of the United States. So ours is one of the youngest efforts.

There are a lot of productivity commissions abroad—11 in Southeast Asia alone. Twice a year the productivity commissions of the Western world get together.

NCOP had a Harris survey done that turned up quite a bit of public distrust of productivity gains. Do you hope to combat that?

The attitudes that people general-

ly hold about productivity are directly in opposition to the facts. As productivity goes up, we have more goods and services or more leisure, all of us. So it's generally a very good thing.

And yet the attitude of people is that it means working harder, with only the corporations benefiting. In fact, while it can increase profit, in the long run improved productivity really increases all of our wealth.

Are there roadblocks to productivity improvement that cut across industry lines and are found everywhere?

Resistance to change is one of the biggest. Most productivity growth requires change.

Government regulation is often seen as a problem by both industry and labor. Frequently, managers believe they cannot do things that they really can do. They may believe an antitrust law is too stringent, but when they sit down and work it through they find, in fact, that the law doesn't prevent them from doing something.

Often, managers believe the system is too complex and they can't fight it. But they attack a single problem and find ways to change the system.

Industry sometimes can't see a direct link between rising productivity and the profit statement's bottom line. Is that a problem?

Managers generally believe that if their people are more productive, their profits will go up. But they can also increase profits by raising prices.

Our ability to trace the effect on profit of particular productivity changes, or even to measure productivity, is not that great in many instances. So that is a real problem.

In a service industry, for example, you can get some measures of productivity. But how do you measure the health industry? Do we measure sick days or well days? When someone stays in the hospital is it unproductive or higher quality or neither?

Do you make an effort not to break productivity down as a "labor" or a "management" problem?

Yes. Most of the gains have come from things like changing management or technical practices; additional capital; education of the work force; mobility of labor; economies of scale.

Those are the five major reasons productivity has gone up. They have in every case required that either labor or management takes the initiative and that the other side cooperates.

So, it seems to us, it's not a labor or a management productivity problem. Depending on the industry and the technology, each has a role in improving it.

Your background is as a partner at McKinsey & Co., a New York City-based management consulting firm. After a year in your job at the NCOP are there any big differences between the private sector and government you can discuss?

One thing is that while most of U.S. industry has found it necessary to have a capital budget, requiring a look at the long-term picture at least once a year, the federal government doesn't. Which strikes me as peculiar. I'm astounded at the short planning horizon that most people seem to have in Washington.

I find that it's very difficult to get policy people here to consider the longer term implications of action. I suppose that's understandable, when you realize the average tenure in policy-making jobs in Washington is 22 months. The pressures are to deal with things that happen in the next 22 months, rather than in the next 10 years.

And that's not the proper attitude in approaching productivity problems?

Right. You really do have to take a longer view. It takes a great deal of analysis to determine where your leverage points are on productivity growth. Very often, in Washington, the time isn't taken for that.

Can you tell me something about the productivity bargaining project in Nassau County, N.Y.?

It brings up an interesting problem in the government productivity area. The people in the county—like people in most places—don't want a rise in taxes. Since most of the tax revenues are derived from property taxes, and the property value only rises slowly, say at 1 per cent a year, the revenues only rise 1 per cent.

But the taxpayers expect more than a 1 per cent increase in services a year. They'll vote out politicians who don't improve services faster. And the unions don't want to settle for a 1 per cent increase in pay per year.

So both the unions and management of the county are committed to find ways to improve productivity—that is, to deliver more services with fewer people. I think we'll see a lot more of that type of working together in the public sector.

I also think we're going to see a lot more of that in other industries. Labor and management will get together. Neither side loses—usually—when the facts are known about productivity growth. Too often, management thinks labor is against productivity growth.

What kind of time frame do you have for tangible returns on the Commission's work?

I think we should look three to five years out. But Congress wants something faster. And we won't be around unless we have results sooner. So we are trying to choose some projects where we can get quick change that is useful, and is helpful in encouraging others to change the way they do things in this enormously complex economic system.

What final points would you make to businessmen about productivity?

There are two things businessmen should think harder about.

First, what sort of collective action is necessary in industries to improve our competitive position internationally, in addition to individual action? I mean collective action involving industry and the government. That's critical because the rest of the world is playing that game and playing it hard.

Second, they should think about what ways the classic, antagonistic relationship with labor really has begun to become obsolete—what changes between unions and management should be occurring.

Those two areas will have a lot to do with how rapidly our productivity rate will grow. END

A Go-Round About the World of the Future

• A third of the world's population today is starving, sick and illiterate, but Herman Kahn ["Our Global Growing Pains," July] has the colossal insensitivity to talk about what he understands of "poverty" in terms of his own childhood, when he owned his own car at age 14 and drove up and down the Pacific Coast looking for deserted beaches to enjoy in privacy.

This touch, demonstrating a dissociation between Kahn's views of the world and the true facts verging on the schizophrenic, warns the thoughtful reader not to take his utopian view of the future too seriously.

I will cite only one of several ways in which Kahn's views of the future ignore reality. He talks blithely of how by the end of the 21st Century the average per capita income will be $20,000, give or take a factor of two.

Even if this should turn out to be true—and one guess is about as good as another—the crucial word is "average." The bottom third of the world today has an average per capita income in the $100 to $200 range.

The annual population increase in some areas is about 3 per cent, which approximately equals the growth of productivity. Net result: Per capita income is stagnant in much of the world.

With no source of funds for capital improvement (how much can you save out of $150 per year?) and with the developed nations offering strictly negligible aid, these areas are not changing at all in these important regards. So how on earth does Kahn think they are going to arrive at the $1,000 to $2,000 income that would lead to the middle class values that he says would reduce the rate of population growth?

In short, Kahn has outlined a pleasant dream of his, how the world would be a nicer place under certain hypothetical and extremely unlikely circumstances. But he has said nothing about the crucial questions of how we are supposed to get from here to there. DANIEL D. MCCRACKEN

Ossining, N.Y.

Easier communication

• Re "The Executive's Guide to Washington" [August], it is important for business executives to feel comfortable in talking with their representatives and to find their way efficiently to the appropriate people in the federal government. To the extent that you have facilitated communication and understanding among those in government and the business

The Lazy Man's Way to Riches

'Most People Are Too Busy Earning a Living to Make Any Money'

I used to work hard. The 18-hour days. The 7-day weeks.

But I didn't start making big money until I did less—a *lot* less.

For example, this ad took about 2 hours to write. With a little luck, it should earn me 50, maybe a hundred thousand dollars.

What's more, I'm going to ask you to send me 10 dollars for something that'll cost me no more than 50 cents. And I'll try to make it so irresistible that you'd be a darned fool not to do it.

After all, why should you care if I make $9.50 profit if I can show you how to make a *lot* more?

What if I'm so sure that you *will* make money my Lazy Man's Way that I'll make you the world's most unusual guarantee?

And here it is: I won't even cash your check or money order for 31 days *after* I've sent you my material.

That'll give you plenty of time to get it, look it over, try it out.

If you don't agree that it's worth *at least a hundred times* what you invested, send it back. Your *uncashed* check or money order will be put in the return mail.

The only reason I won't send it to you and bill you or send it C.O.D. is because both these methods involve more time and money.

And I'm already going to give you the biggest bargain of your life.

Because I'm going to tell you what it took me 11 years to perfect: How to make money the Lazy Man's Way.

O.K.—now I have to brag a little. I don't mind it. And it's necessary—to prove that sending me 10 dollars... which I'll keep "in escrow" until you're satisfied... is the smartest thing you ever did.

I live in a home that's worth $100,000. I know it is, because I turned down an offer for that much. My mortgage is less than half that, and the only reason I haven't paid it off is because my Tax Accountant says I'd be an idiot.

My "office," about a mile and a half from my home, is right on the beach. My view is so breathtaking that most people comment that they don't see how I get any work done. But I do enough. About 6 hours a day, 8 or 9 months a year.

The rest of the time we spend at our mountain "cabin." I paid $30,000 for it—cash.

I have 2 boats and a Cadillac. All paid for.

We have stocks, bonds, investments, cash in the bank. But the most important thing I have is priceless: time with my family.

And I'll show you just how I did it—the Lazy Man's Way—a secret I've shared with just a few friends 'til now.

It doesn't require "education." I'm a high school graduate.

It doesn't require "capital." When I started out, I was so deep in debt that a lawyer friend advised bankruptcy as the only way out. He was wrong. We paid off our debts and, outside of the mortgage, don't owe a cent to any man.

It doesn't require "luck." I've had more than my share, but I'm not promising you that you'll make as much money as I have. And you may do better; I personally know one man who used these principles, worked hard, and made 11 million dollars in 8 years. But money isn't everything.

It doesn't require "talent." Just enough brains to know what to look for. And I'll tell you that.

It doesn't require "youth." One woman I worked with is over 70. She's travelled the world over, making all the money she needs, doing only what I taught her.

It doesn't require "experience." A widow in Chicago has been averaging $25,000 a year for the past 5 years, using my methods.

What *does* it require? Belief. Enough to take a chance. Enough to absorb what I'll send you. Enough to put the principles into *action*. If you do just that—nothing more, nothing less—the results *will* be hard to believe. Remember—I guarantee it.

You don't have to give up your job. But you may soon be making so much money that you'll be able to. Once again—I guarantee it.

The wisest man I ever knew told me something I never forgot: "Most people are too busy earning a living to make any money."

Don't take as long as I did to find out he was right.

I'll prove it to you, if you'll send in the coupon now. I'm not asking you to "believe" me. Just try it. If I'm wrong, all you've lost is a couple of minutes and an 8-cent stamp. But what if I'm right?

Sworn Statement:

"I have examined this advertisement. On the basis of personal acquaintance with Mr. Joe Karbo for 18 years and my professional relationship as his accountant, I certify that every statement is true."

[Accountant's name available upon request.]

Bank Reference:
American State Bank
675 South Main Street, Orange, California 92668

Joe Karbo
17105 South Pacific, Dept. 512-H
Sunset Beach, California 90742

Joe, you may be full of beans, but what have I got to lose? Send me the Lazy Man's Way to Riches. *But don't deposit my check or money order for 31 days after it's in the mail.*

If I return your material—for *any* reason—within that time, return my *uncashed* check or money order to me. On that basis, here's my ten dollars.

☐ Please send Air Mail. I'm enclosing an extra dollar.

Name ____________________

Address ____________________

City ____________ State ________ Zip ________

community, you have performed a great service.

REP. JOHN W. DAVIS (D.-GA.)
House of Representatives
Washington, D.C.

• I have found "The Executive's Guide to Washington" quite interesting and I am sure that it will prove helpful to my constituents in many ways.

SEN. HOWARD H. BAKER JR. (R.-TENN.)
United States Senate
Washington, D.C.

• "The Guide" includes very useful information.

SEN. SAM J. ERVIN JR. (D.-N.C.)
United States Senate
Washington, D.C.

Three views of high costs

• In a speech at the AFL-CIO Executive Council recently, George Meany expressed his concern over inflation by stating:

"Home building is coming to a complete and absolute standstill in this country; millions of Americans have been priced out of the private housing market. I never thought I would see in my lifetime where a man with four kids and getting $20,000 a year can't afford to buy his own home."

He blames Mr. Nixon. It never occurred to Mr. Meany and the rest of the big union leaders that the $500 to $600 per week wages for carpenters, plumbers, electricians and other workers in the construction field, plus the goofing off and featherbedding so prevalent these days, are the real causes of inflation.

Instead of assisting the President in his effort to curb the inflation, these union leaders and some Congressmen and Senators are doing everything in their power to aggravate the situation.

GEORGE CARLSON
San Diego, Calif.

• With all the food price uproar I thought you might be interested in something I read in the *Kansas Farmer-Stockman*. It said: In one supermarket, you can buy five pounds of corn meal for 50 cents, of flour for 68 cents, of dried manure for 69 cents and of potting soil for 89 cents.

The information inspired one Congressman to comment that food is not only dirt cheap, but some is cheaper than dirt.

Unbelievable? Just go to the store and look. The consumer doesn't know what a good deal he has.

MICHAEL YEAROUT
South Haven, Kans.

• Re the letter to the editor headlined "Food Supply and Demand" [August] urging that the government reduce food exports and let the simple economic rule of supply and demand reduce prices: This would probably be more effective than any price freeze.

Instead of the Nixon Administration doing a lot of double-talk, it should try to remedy the country's situation as soon as possible.

RONNIE T. SMITH
Jackson, Miss.

The primrose path

• Re Jim M. Perry's letter [August] which says people tell him we should forget about Watergate because it's

only an example of what goes on in politics all the time.

He asks: "Have the American people lost all their sense of values and honesty?"

The answer is Yes—for an overwhelming majority. That, combined with economic ignorance, has enabled the politicians (in the worst sense of the term) to lead us down the primrose path these past 40 years to the point where, in a relatively short while, we will be happy if we can revert to the worst of 1929.

PHIL ZYMLER
President
Arista Custom Tapes
Secaucus, N.J.

Watch out for those bugs

• Re the response [September] to your "Sound Off to the Editor" question, "Is Wiretapping Out of Hand?"

Our company is a manufacturer of telephone audio compromise protection equipment used by many professional security groups to guard against electronic surveillance.

Some key points warrant comment regarding surveillance:

A. Wiretapping is distinctly different from bugging. The wiretap is used in a clandestine manner to overhear two sides of a telephone conversation. The bug, or compromise, is employed to overhear room conversations and not telephone conversations. Wiretaps are vastly more complex and expensive to implement, and return substantially less intelligence per dollar invested.

B. Authorized electronic surveillance by law enforcement officials is insignificant compared to illegal, unauthorized eavesdropping. Unauthorized eavesdropping is enormous and conducted primarily in the private sector. Illegal electronic surveillance is a world-wide, multibillion-dollar-per-year travesty wrought upon business and private citizens.

Electronic surveillance is so simple to perform and so difficult to trace that any junior investigator can violate an individual's privacy. For example, a telephone can be turned into an eavesdropping device while the instrument is not in use for less than $1 in common electronic parts, a screwdriver, and two minutes' time. Such is the simplicity of an audio compromise which undoubtedly exists in many board rooms across the country; yet little is ever said about this problem.

An example of fraud and misrepresentation is the "debugger" who waves a field-strength meter around an office and has the gall to say "you're clean" when such a device would not discover even an outdated bug.

It takes $20,000 to $30,000 of sophisticated electronic equipment to detect many modern bugging devices, including an X-ray to examine a telephone for compromises.

Use legal surveillance sparingly. Curb the use of unauthorized electronic surveillance. Expose the true nature of electronic surveillance and thereby develop a citizenry which can protect itself from unauthorized eavesdropping and not depend on laws alone.

R. BARRY ASHBY
President
Ashby & Associates
Washington, D.C.

JAPAN: A Changing Competitor

By NORISHIGE HASEGAWA
President
Sumitomo Chemical Co., Ltd.

When a family in Tokyo sits down to a meal, the *shoyu*—soy sauce—on their table is as essential to their diet as salt is to an American's. That soy sauce, in most cases, came from beans grown on the farms of America's great Midwest.

The Japanese buy more than 90 per cent of the soybeans they use from the United States. That's why they were so shocked when America suddenly, even though temporarily, clamped controls on the export of soybeans last summer.

They also buy in America 56 per cent of the corn they use and 49 per cent of the wheat.

In 1972, their U.S. shopping list added up to $4.9 billion.

It included airplanes, bourbon, cotton, lumber, machinery and many other products—even some raw silk.

In turn, many of the motor bikes which young Americans prize are made in Japan. So are more and more of the autos their parents drive, and many of the radios, TV sets and tape recorders found in American homes.

Japan is the biggest overseas customer for U.S. products. And America buys more from Japan than from any other nation. Our way of life—and America's—intimately depend on our mutual trade.

This trade partnership between the United States and Japan has developed at an accelerated pace since World War II. In fact, it has grown so fast that many people in both countries view it as anything but a partnership.

Some Americans tend to act as if the U.S. is becoming a subsidiary of "Japan, Inc.," while misguided Japanese believe they're a tail tied to America's kite.

But the narrow view doesn't give the true picture. I'd like to point out a few basic facts showing that mutual interest has been, and will continue to be, the root of cooperation between our two countries. Furthermore, the situation is not static; it's changing right now—not just for the benefit of America and Japan, but for the betterment of the world economy as a whole.

The Japanese are beginning to realize that ever rising exports will ultimately bring about the international isolation of our country.

Thus, Japanese industries recently suspended reckless expansion policies. They are now keenly seeking to promote international division of labor. Industries are being restructured and economic policies are being formulated with the aim of specializing in industries to which Japan is best suited.

The national consensus is also rejecting the idea that people should work hard and live austere lives merely to increase exports.

What forces are bringing about these shifts in public and private thinking in Japan?

The chief executive (left) of the Sumitomo company has centered its research activities at this modern laboratory located near Osaka. With annual sales close to $1 billion, Sumitomo is one of the largest chemical firms in Japan.

Fundamental is the evolving psychology of the labor force. There has been a loss of diligence on the production line, a slackening of interest in thrift and an increased demand for the comfortable life with wage increases that parallel inflation.

Simultaneously, competition for energy has led to shortages and driven up its price—at the very time when industry is being saddled with higher charges for environmental protection, pursuant to the "polluter pays" principle.

It all adds up to slower industrial growth which, like it or not, the Japanese are accepting as a fact of life.

Ties to America

If Japan can be said to be in an intermediate stage of economic development, America has entered the phase of maturity.

The U.S. economy has passed the stage of abundant natural resources and huge domestic markets, when international trade played an insignificant role.

America imports petroleum, sugar, nonferrous metals and other materials which are not available domestically.

Meanwhile, agricultural products and sophisticated industrial goods continue to be important items of export from the United States.

And the output of American multinational enterprises' overseas operations has reached the $250 billion level, far exceeding the total 1972 U.S. foreign trade volume of $105 billion. These enterprises cannot make their full contribution to the world economy without free trade.

The history of postwar development, buttressed by the fundamental mutual interest of our two countries, has inevitably drawn America and Japan to trade with each other.

What began as a trickle quickly became a torrent.

Then a significant trade imbalance developed, one that remains to be totally eliminated. But perhaps too few people realize how transitory that imbalance is and how far we have come in the direction of smoothing it out.

The Tokyo government maintains that Japan's optimum balance of payments surplus should be 1 per cent of GNP, or about $3 billion per year.

Measures are being implemented to achieve this goal. The Ministry of International Trade and Industry says that, partly due to currency realignment, Japan's balance of payments surplus declined to about $3.5 billion in 1972.

The Ministry expects this year will show a further reduction, to $2 billion. Private economists predict an even larger decrease.

Also, the basic direction of the government's administrative policy has changed radically. The new policy target is social welfare and international cooperation. The effect of this will be felt gradually.

In the long run, changes in administrative policy and in the Japanese people's way of thinking will lead to an increase in production costs for various goods and services. As a result, Japan's international competitive power will be reduced and this will, no doubt, expedite industrial readjustment.

Our policy is to compete fairly in the world market. We are trying to absorb more of our products for domestic use, lessening the need for exports.

And the national desire to be a modern nation in which, as in Western countries, social welfare is given priority will also lead us to more restraint on exports and encouragement of imports.

What the future holds

Japan did not create the problem of trade imbalance by herself, nor is she alone in working to eliminate it.

The United States has devalued the dollar. If she further readjusts her economy and industrial structure to the new international economic environment, I am sure America will again recover her original position, and trade imbalances will naturally disappear.

We are, of course, more than will-

Japan: A Changing Competitor

continued

ing to cooperate in such an effort. We realize that a continuing substantial trade surplus and rapid increase of foreign reserves for Japan will not contribute to the world's prosperity.

Japanese investment in the United States will increase in the future. We do not anticipate a rapid rise over the short term, but a steady climb over the long term seems certain.

The change will not be automatic. Japan's economic development is still behind that of Western countries. We have long suffered from a shortage of foreign currency and our overseas investment has long been controlled by the government.

Our overseas investment has been increasing at the fairly high rate of 30 per cent a year, but the aggregate amount was merely $6.8 billion at the end of March, 1973.

That is quite small in comparison with the $78 billion of U.S. overseas investment.

Only $1.3 billion, or 19 per cent of our total, has been invested in the United States, mainly for market development and maintenance of sales channels. But in the years ahead, Japan will follow the pattern of America and Europe, establishing manufacturing and sales points all over the world. She will gradually become one of the world's major creditors.

With the U.S. tightening restrictions on imports and the yen being revalued, direct investment in America is becoming increasingly attractive.

Special cases involving unique technology will draw Japanese investments, either in the form of joint ventures or capital participation in existing enterprises. This trend is already under way.

In sum, relations between the U.S. and Japan are temporarily strained by problems that must be resolved. But the resolution of these problems cannot be unilateral or even bilateral.

We must recognize that both countries are leaders in the development of the world economy.

As such, they must consider the impact of their actions on all aspects of that economy, including equitable exploitation of natural resources, protection of the environment and attention to social issues throughout the world. END

the world of industry

continued from page 8D

mail room before it is delivered as usual by a postman from office to office. This "conveyor" technique is in use in the World Trade Center in New York and the Sears Tower in Chicago.

Another idea being tried is the "call window," where building tenants pick up their own mail. In one form, this technique involves a locked letter box for each tenant, with large packages and bulk mail in special parcel lockers. If the tenant finds a special key placed in his letter box, he knows a parcel is awaiting him in a locker.

American Locker Co., Inc., a subsidiary of AVM Corp., Jamestown, N.Y., helped develop the parcel locker for the Postal Service, which sees VIM as one way to cut costs and speed mail delivery to businesses.•

Larger Scale Mining Is a Goal for Coal

With an eye toward conversion of coal into gas and oil, the Interior Department's Office of Coal Research is spending $2.3 million to determine the environmental, technical and economic requirements for large-scale coal mining systems.

Fluor Utah, Inc., of San Mateo, Calif., has been awarded a 42-month contract to do the job.

A study performed for Interior by the National Petroleum Council in 1972 indicates that to meet 90 per cent of our energy needs by 1985 the nation must have 30 gas-from-coal plants that will produce 250 million cubic feet per day, and 13 oil-from-coal plants that will have a capacity of 50,000 barrels a day [see page 76, NATION'S BUSINESS, October, 1973].

Refineries of this capacity will require commercial coal processing complexes using thousands of tons of coal daily. This will mean mining on a scale much larger than any now.

Fluor Utah will concentrate on qualities and quantities of coal required for the big complexes, which are envisioned for the mid-1980s.

Since coal can be converted to both oil and gas by somewhat similar processes, the Office of Coal Research has evolved the concept of coal-oil-gas refineries.

OCR sees future regional resource

the world of industry *continued*

development plant complexes that would employ a wide assortment of processes, including extraction, separation, gasification, hydrogenation, purification, processing and power generation.•

Building a Better Long-Life Battery

The Navy and General Telephone and Electronics Corp. think they have come up with a better idea to power radios and lights which operate intermittently in remote areas: An electrochemical cell battery that lasts many times longer than conventional dry cell batteries and produces eight times the electrical energy per pound.

Unlike conventional batteries, it does not deteriorate when idle.

The battery was developed by GTE laboratories at Waltham, Mass., working on an Office of Naval Research contract to study electroluminescence properties of inorganic liquids.

Scientists discovered that certain inorganic liquids could be used in alkali metal battery systems, and developed a four-volt cell.

GTE has applied for patents on the cell, which it claims gives constant voltage stability—meaning radios and lights won't lose power until the battery dies.•

A Computer Pins Down Those Bowling Scores

The day of the lengthy argument over scoring in the company bowling league may be drawing to a close. The computer has come to the bowling alley, paired with a special electronic camera.

An RCA-developed automated scoring system has been demonstrated to a Bowling Proprietors' Association of America convention in Hollywood, Fla.

The camera, positioned behind the pins, records the number of pins left standing after each roll of the ball. The computer processes this information and the score appears numerically on a TV-like screen.

RCA's system not only handles scoring for individual players, it can calculate running team scores in league and open play, as well as handicaps and other scoring problems.

For those who still want to keep a scoring hand in the game, RCA is building a semi-automatic version. The bowler himself feeds information about pins left standing into the computer, which then does the computation.•

Aerospace Employment Is Still Plummeting

The resurgence in the economy hasn't been all that kind to aerospace firms, where employment is expected to continue to decline through June.

A survey by the Aerospace Industries Association of America, Inc., shows that since 1968 aerospace employment has dropped by 33 per cent. The total number of people at work in aerospace as of last June was approximately 950,000.

By next June a further decline of 32,000 is predicted, with the most significant drop coming in the ranks of scientists and engineers—some 6,000 in all.

AIA cites as reasons the continued restraints on federal government spending, specifically in the space program, and increased foreign competition for existing markets.•

Wedding Bells for Leather and Polymers

For years, scientists have been mating such materials as cotton, wool and starch with synthetic polymers to produce a stronger, more uniform product.

Now, Agriculture Department scientists say they can do the same thing with leather.

The Department calls the process graft polymerization. This is a chemical bonding that takes place at the molecular level between the animal and the plastic, which permanently modifies the leather. The process makes some of the usual finishing operations unnecessary, and the leather becomes more receptive to dyes and to treatment to make it water-repellent.

Agricultural Research Service scientists in Philadelphia are working to make the process commercially feasible.•

RANDUSTRIAL® MAINTENANCE PRODUCTS

will solve problems in your plant today

FREE 2-Gallon SAMPLES offered on most products

Use RANDUSTRIAL® ROOF SPRAY EQUIPMENT FREE. Randustrial® Roofing Engineers provide jobsite instruction so your own maintenance men can waterproof weatherworn roofs permanently. The Randustrial® Plastic Sealant forms a seamless, elastic shield that stops leaks and restores pliability to old roofing felt.

MAGIC FLOOR® will patch concrete indoors and out of doors. No drying time is required. It contains a shatterproof aggregate system for durability and perfect featheredges. Simply fill the hole with the ready to use material and compress with a lift truck. FREE two gallon sample.

For fixtures that require fastening to floors — railings, conveyors, even heavy machinery — BOLT ANCHOR® SULFASET sets quickly and permanently without shrinkage. No heating; mix it with water and pour. Contains Albatite for strength; resists water, oil, and chemicals. FREE two gallon sample.

Fast acting NOBRUSH® eliminates all unwanted and unsightly vegetation. Economical — soil is sterilized for one or more seasons to prevent future growth. Easy — just spread the dry pellets, and rain will activate them. Safe — not flammable, poisonous, or corrosive. FREE two pound sample.

FRIGID PATCH® is a ready to use compression type material for wet or dry blacktop or concrete. It may be used at all temperatures and in all weather. It will sustain industrial lift truck traffic as well as traffic on pneumatic tires. Featheredges perfectly. FREE two gallon sample.

Proper pavement maintenance with FLO-JOINT® prevents costly frost damage. It seals cracks and joints in concrete and asphalt without heating. Simply mix the two components and pour. Its special, fast drying formula allows the area to be opened to traffic in one hour. FREE two gallon sample.

Economical SPUNK® is a ready to use semi-liquid hand cleaning lotion concentrate containing a combination of lanolin and other rich emollients to soothe and condition the skin. It is effective on all types of hand soil including ink, asphalt, grease, paint, carbon, grime, oil, and tar. FREE one gallon sample.

CLEARAN® is a revolutionary development in sewer and drain cleaning chemicals. It's composed of nearly 100% active ingredients. Safe — supplied in a dry form; inactive until used in water. Weekly application prevents stoppages which can impede production and be costly to repair. FREE two gallon sample.

Fast curing FLEET PATCH® can be opened to traffic 45 minutes after application. Its plastic binder resists shock and abrasion and sustains heavy hand or power trucking to a featheredge. Simply mix with the plastic binder, trowel and let dry. FREE two gallon sample.

Randustrial® Corporation

13251 Union Ave./Cleveland, Ohio 44120
(216) 283-0300

Send the following FREE SAMPLES for use in our plant:

- ☐ Magic Floor
- ☐ Bolt Anchor
- ☐ Nobrush
- ☐ Frigid Patch
- ☐ Flo-Joint
- ☐ Spunk
- ☐ Fleet Patch
- ☐ Clearan
- ☐ FREE 64 page Catalog

(Sample offers not valid for home use.)

NAME, TITLE ____________

COMPANY ____________

ADDRESS ____________

CITY, STATE, ZIP ____________

TEL. NO. ____________

STATEMENT OF OWNERSHIP

STATEMENT of ownership, management and circulation (Act of August 12, 1970; Section 3685, Title 39, United States Code).

1. Title of publication: NATION'S BUSINESS.
2. Date of filing: September 28, 1973.
3. Frequency of issue: Monthly.
4. Location of known office of publication: 1615 H Street N.W., Washington, D.C. 20006.
5. Location of the headquarters or general business offices of the publishers: 1615 H Street N.W., Washington, D.C. 20006.
6. Names and addresses of publisher, editor, and managing editor: publisher: Arch N. Booth, executive vice president, Chamber of Commerce of the United States of America, Washington, D.C.; editor: Jack Wooldridge, Washington, D.C.; managing editor: Wilbur Martin, Washington, D.C.
7. Owner: The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors; the officers are as follows: President: Edward B. Rust, president and chief executive, State Farm Insurance Companies, Bloomington, Illinois. Chairman of the Board: William S. Lowe, chairman of the board and chief executive officer, A.P. Green Refractories Company, Mexico, Missouri. Chairman of the Executive Committee: Archie K. Davis, chairman of the board, Wachovia Bank and Trust Company, N.A., Winston-Salem, North Carolina. Treasurer: Charles H. Smith, Jr., chairman of the board, SIFCO Industries, Inc., Cleveland, Ohio. Executive Vice President: Arch N. Booth, Chamber of Commerce of the United States, Washington, D.C. Vice Presidents: J.D. Anderson, president, Guarantee Mutual Life Company, Omaha, Nebraska; John L. Gillis, senior vice president, Monsanto Company, St. Louis, Missouri; Glenn L. Jackson, chairman of the executive committee, Pacific Power & Light Company, Portland, Oregon; Herbert S. Richey, president and chief executive officer, The Valley Camp Coal Company, Cleveland, Ohio; Eugene B. Sydnor, Jr., president, Southern Department Stores, Richmond, Virginia; Anthony E. Wallace, president and chief executive officer, The Connecticut Light & Power Company, Hartford, Connecticut.
8. Known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities: None.
9. For optional completion by publishers: Not applicable.
10. For completion by nonprofit organizations authorized to mail at special rates: Not applicable.
11. Extent and nature of circulation:

	Average no. copies each issue during preceding 12 months	Actual number of copies of single issue published nearest to filing date
A. Total no. copies printed	922,502	923,991
B. Paid circulation		
1. Sales through dealers and carriers, street vendors and counter sales	—	—
2. Mail Subscriptions	890,538	893,944
C. Total paid circulation	890,538	893,944
D. Free distribution by mail, carrier or other means		
1. Samples, complimentary, and other free copies	28,363	29,403
2. Copies distributed to news agents, but not sold	—	—
E. Total distribution (*Sum of C and D*)	918,901	923,347
F. Office use, left-over, unaccounted, spoiled after printing	3,601	644
G. Total (*Sum of E & F—should equal net press run shown in A*)	922,502	923,991

I certify that the statements made by me above are correct and complete.

WILLIAM W. OWENS, business manager

Why Customers Come Back to Buy Again

Keep in touch with your most valuable inventory, and apply the Golden Rule—and your business will prosper

Fave Mayo sent 11-1-73

DRAWINGS: CHARLES A. DUNN

Don't wait for customers

Customers need reason for coming back

Harry Jones, owner of Jones Haberdashery, had reason to be pleased that day in August, 1971. John Smith had just bought an extensive wardrobe for his son who was going off to college.

While he was at it, Mr. Smith bought a new suit and overcoat for himself. The entire order came to more than $800.

Two years later, Harry was much less pleased about Mr. Smith's purchasing. Standing idly with one of his salesmen, waiting for customers to walk into his store, he saw Mr. Smith leave the department store across the street. With him was another son, and they were carrying packages that obviously contained an extensive wardrobe.

Fave

If Harry thought about why this had happened, he probably decided it was because his competitor had been price-cutting again—or had run a big, two-page ad in the local paper. Since Harry couldn't afford either, he undoubtedly chalked up that lost sale to the fortunes of business.

What Harry didn't consider was that he had given Mr. Smith no compelling reason to return to his store. He had been out of touch with this valuable customer for two years. How could he expect him to think of Jones Haberdashery when he was again in the market for clothes?

There's an answer to that question.

Indifference makes a difference

If Harry had applied the Golden Rule in his dealings with Mr. Smith, his store would have been remembered—and his chances for repeat sales enhanced. Multiply Mr. Smith by the thousands of customers Harry had served in the past, and you can see how applying the Golden Rule can pay off handsomely.

If you think price is the only criterion in a sale, you haven't seen the results of a remarkable survey. It studied perhaps the most competitive business in the world—auto sales—and discovered the real reasons why people hadn't returned to the dealership where they'd bought their last car. Here's what it showed:

One per cent of the customers had died.

Three per cent had moved.

Five per cent had bought their next car from a friend or relative.

Nine per cent had sought lower prices elsewhere.

Fourteen per cent had left due to unadjusted service complaints.

And 68 per cent had left due to indifference on the part of the salesman.

In other words, 82 per cent—those in the last two categories—took their business elsewhere because their

---

JOHN DOUGLAS *and* KENNETH POORMAN, *authors of this article, head the Poorman-Douglas Corp., Portland, Oregon, marketing specialists.*

It's personal relations that count

Keep tabs on customers' needs

last dealer didn't exercise the Golden Rule: Do unto others as you would have others do unto you.

How can you apply it?

• Recognize that customers represent your most valuable inventory.

You have exclusive information on their buying habits, preferences and personal lives. You acquire it through credit applications and from the friendly conversation every good salesman carries on during a sale.

Harry Jones, for example, knew—or should have known—that Mr. Smith had a second son nearing college age, that he'd outfitted his first son in August and that Mr. Smith was the man who controlled the purchase. That's the best kind of marketing data there is—if you use it.

• Keep in touch with your customers.

Rather than have salesmen stand around waiting for someone to walk in, why not have them use this idle time for a planned program of customer contact? The telephone offers a very good way to do it. Here are a few proven approaches:

"Hi, this is Art Brown at the Hanson Co. I see the warranty on the lawnmower you bought from us will expire next month. If it needs attention, be sure to bring it in before then."

"Hi, this is Art Brown at the Hanson Co. When you bought a washer from me last year, you said you might need a new dryer about now. We have a good sale on them this week."

• Pinpoint your advertising to this customer inventory.

That involves direct mail. It can be expensive, but extremely effective, if you plan it well. One of the best devices is a monthly newsletter. It tells what's happening at the store—any special sales, new products or lines you carry. Auto dealers even list names of customers who bought cars that month. That's recognition that's usually appreciated.

Then personalize the newsletter for each salesman's customer list by imprinting on it his name and photograph. It's not costly—and it keeps the salesman's identity fresh in the customer's mind.

You can use direct mail to advertise specials you are running. If, for example, you're overstocked on station wagons, send a special letter to customers who've bought them in the past.

Sales up 35 per cent

A Golden Rule program like this isn't just a wild new idea. It has been used with success by auto dealers since 1965. In fact, our firm was formed to provide such a service in response to dealer needs. We call it Customer Inventory Control.

The dealer gathers his customer data and forwards it to us, and we code it on a computer. Then, every month, we send each of his salesmen a "hot sheet" that tells him which of his customers are likely to be back in the market—or need attention that month.

In addition, we can supply promotional kits that reflect sales ideas which have worked elsewhere.

This program has increased sales as much as 35 per cent—and gross profits nearly 50 per cent—for dealers who work at it hardest.

We don't do anything, really, that a retail outlet can't do for itself, if it's willing to take the time and trouble. The key is to implement a Golden Rule program and stick to it. Once you have inventoried your customers—and established a personalized follow-up and promotional program aimed at them—you'll be very effective in tapping this market. END

REPRINTS *of "Why Customers Come Back to Buy Again" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.*

Advertisers in This Issue

Allstate Insurance Company ... 1
Leo Burnett Company, Inc.

American Telephone & Telegraph Company ... 6-7
N. W. Ayer & Son, Inc.

Amway Corporation ... 20
Stevens, Inc.

IE Anchor Post Products, Inc. ... 8A
Van Sant Dugdale & Co., Inc.

Bally Case & Cooler ... 57
Beaumont, Heller & Sperling, Inc.

Bureau of National Affairs Communications ... 61
Van Sant Dugdale & Co., Inc.

Canon—Calculator Division ... 33
Dentsu Corporation of America

Chrysler Leasing System ... 35
Meltzer, Aron & Lemon, Inc.

CNA Financial Corporation ... 11
The Biddle Company

IE Continental Illinois National Bank ... 8C
Tatham-Laird & Kudner, Inc.

Craig Business Equipment ... 68
Needham, Harper & Steers, Inc.

IE Derwent Publications ... 8B
Rumrill-Hoyt, Inc.

E. I. duPont de Nemours & Co., Inc. ... Cov 2
N. W. Ayer & Son, Inc.

Executone, Incorporated ... 8
Nadler & Larimer, Inc.

R Financial Publishers ... 67D
Humphrey and Karbo

Ford Marketing Corporation ... 40-41
J. Walter Thompson Company

Fort Howard Paper Company ... 39
Marsteller, Inc.

Fruit of the Month Club ... 53
Semlok, Inc.

IE Georgia Power Company ... 72B
Lowe & Stevens, Inc.

Gestetner Corporation ... 66
Homer Advertising, Ltd.

IE Walter E. Heller & Co. ... 72D
McCann-Erickson, Inc.

International Telephone & Telegraph Co. ... 45
Needham, Harper & Steers, Inc.

R Jack Daniel Distillery ... 17A
Gardner Advertising Company

Lathem Time Recorder ... 60
George and Glover

Memocord ... 66
Dick Coles Graphics

Mississippi Agricultural & Industrial Board ... 76
Gordon Marks & Company, Inc.

National Counselor Reports, Inc. ... 73
Adbuilder Agency

IE Nebraska Department of Economic Development ... 72A
Holland Dreves & Reilly, Inc.

IE New York State Department of Commerce ... 72A
Rumrill-Hoyt, Inc.

Oklahoma, State of ... 69
Gelders, Holderby & Smith, Inc.

Paperweights, Inc. ... 57
Pro Sell Communications

R Pilot Life Insurance Company ... 67C
Lavidge & Associates, Inc.

Postal Finance Company ... 73
John D. Morgan, Inc.

IE Randustrial Corporation ... 72C
Mt. Pleasant Advertising, Inc.

RCA Corporate ... Cov 4
J. Walter Thompson Company

Royal Typewriter Company ... 12-13
Hanson, Fassler, McGinley, Inc.

SCM Corporation ... 5
Richard K. Manoff, Inc.

IE Seaboard Coast Line Railroad ... 8D
Tucker Wayne & Company

South Carolina State Development Board ... 73
Cook/Ruef & Associates

The Southern Company ... 14
Liller Neal Battle & Lindsey, Inc.

Star Manufacturing ... 51
Christenson Barclay & Shaw, Inc.

IE Talcott, James, Inc. ... 52
Shaw Elliott, Inc.

R Telephone Mart ... 17B
Inter/Media, Inc.

Thomas Knight Financial Associates ... 69
David W. Evans, Inc.

Three M Company ... 30
D'Arcy-MacManus & Masius

Transworld Services, Inc. ... 57
Stuckig, Sanderson & White, Inc.

U. S. Fidelity & Guaranty Company ... Cov 3
Van Sant Dugdale & Co., Inc.

Western Industrial Bank ... 60
Ehrlich Harris Manes & Associates

Wheels, Inc. ... 77
Marvin H. Frank & Co., Inc.

Xerox Corporation ... 28-29
Needham, Harper & Steers, Inc.

KEY
R-Regional
IE-Industry Edition

Metro Advertisers

Advanced Systems Inc.
Armco Steel
Basic/Four Corporation
Beckwith Machinery Company
Bell of Pennsylvania
Best Products
Binswanger/Herman Real Estate
Blietz-Valenti Developers, Inc.
Blue Cross/Blue Shield
Boston Dining Out
Boston Globe
Britches of Georgetown
Broadmoor Hotel
Budd Company
Canadian Pacific Airlines
Carson International Inc.
Center City Cadillac
Central Gulf Lines
Chatsworth
Cleveland Electric Illumination
Cleveland Trust Bank
Colonnade Hotel
Continental Bank
Detroit Bank & Trust Company
Drovers National Bank
The Fidelity Bank
Fidelity Union Trust Company
First National Bank of Boston
First National Bank of Chicago
First National Bank in St. Louis
First Nation's Securities, Inc.
Halleen Leasing
Hiram Walker/Grand MacNish
Hiram Walker/Royal Canadian
Hotel Representatives, Inc.
Illinois Bell
Irving Trust Company
Lakewood Center North
Langs Scotch
L'eggs
Liberty House & Rhodes
The Manor
Manufacturers Bank
Malio Hotels
Mellon Bank
Memphis Chamber of Commerce
Mercantile Trust Company
Michigan Bell
Midlantic
Minolta
New England Merchants National Bank
New England Telephone
Nixdorf Computers
Norelco
Northeastern Ohio Savings & Loan Association
Norwegian American Lines
Oblate Fathers
Ohio Bell
Pacific Gas & Electric
Philco-Ford Corporation
PPG Industries, Inc.
Provident National Bank
Ramada Car Rental
Rauch & Company
Red Cedar Shingle & Handsplit Shake Bureau
Romanek-Golub & Company
Royal Inns
Santa Barbara Association
Security Storage Company
Southwestern Bell
Statler Hilton
Stereo Wholesalers
Sun Valley
Teamsters Credit Union
Texas Industrial Commission
Texas International Airlines
Trumpeter Wines
Warner Center
Washington Dining Out
Washington Gas Light Company
Western P. A. National Bank
Western Savings Bank
Winchester Corporation

business: a look ahead

BY GROVER HEIMAN
Associate Editor

Pollution Fighters Get a Dirty Deal

The full, frank input of top business leaders on how to reasonably solve pollution problems is going to be throttled unless Congress reverses itself.

Two questionable victories by environmentalists have deep-sixed the National Industrial Pollution Control Council, which opponents claim gave industry an unfair leg up in establishing environmental standards.

First, legislation was passed requiring all meetings of advisory commissions to be open to the public. Second, Congress refused to appropriate funds for the Council's 11-man professional staff in the Commerce Department.

This was the group that enabled some 225 chief executive officers of major U.S. firms to sit down and frankly discuss pollution problems, and recommend action on them, without the faintest whisper of antitrust violation.

And it was this staff that prepared reports assembled by the 29 subcouncils. Forty-five reports have been printed and more are in the works.

The Council has been formally disbanded as a standing body and, in the future, Commerce Department communications with industry about pollution will be through the office of Dr. Sidney Galler, deputy assistant secretary for environmental affairs.

This is considered a poor substitute for the top businessmen, who served without cost to the taxpayers (the government didn't even pick up the tab for the executives' expenses; they wanted it that way).

A New Source of Loans for Small Business

In times of tight money it's invariably the small businessman who gets hit hardest, and for those starting a new enterprise it's doubly tough.

Now the Small Business Administration has revised its business loan policy procedure to make it possible for non-bank lenders to participate in SBA lending, providing certain requirements are met.

"This opens up a new potential source of funds for small business," says SBA.

The agency has adopted strict rules covering the eligibility of these lenders, as it already does for banks, insurance companies and other responsible lending organizations.

Capitalization for such lenders must be at least $200,000.

Giving Grain a Lift in Time

Those bumper grain crops, rising food prices and growing export markets for agricultural products are fostering more federal intervention in the operation of the nation's transportation system.

Until Dec. 1 the Interstate Commerce Commission is restricting use of jumbo, covered-hopper cars in unit train service.

To make more hopper cars available to other shippers, ICC has slapped on a temporary limitation—no more than 20 per cent of the jumbo-size cars that a carrier owns can be used in unit train service.

Meanwhile, the Department of Agriculture has set up a monitoring system to identify areas where railroad equipment is critically needed to move grain. The Department's Agricultural Marketing Service asked nearly all of the country's grain elevator operators to supply data on current and anticipated grain supplies.

The reports, strictly voluntary, will be submitted on a weekly basis, but only when car shortage problems exist.

Data on problem areas will be sent by Agriculture to organizations with direct responsibility over rail equipment supply, including ICC and the Department of Transportation. Action will be their responsibility.

The big hump is expected to be over this month, but with even larger crops and rising exports seen in the future, this added federal overview is likely to become a way of life 12 months a year.

ow "Recognizable" Are Those Safety Hazards?

Disenchantment with the Occupational Safety and Health Act can only heighten if interpretive rulings like a recent one by the Occupational Safety and Health Administration's Review Commission become commonplace.

The Commission, in a two-to-one vote, greatly expanded the scope of the Act's "general duty" clause. This is the section that requires employers to maintain work places free from "recognized hazards that are causing or are likely to cause death or serious physical harm to the employee."

A "recognized hazard" has been interpreted as being something that is obvious, but the Commission's ruling says in effect that employers have a general duty to protect employees from hazards that are not obvious. Businessmen see this as opening the door to all sorts of possibilities, such as making them responsible for unsuspected, hidden hazards that could only be detected by sophisticated testing devices.

This ruling is likely to spur more support for three bills, one in the Senate and two in the House, that propose amending the Act to achieve greater due process without jeopardizing worker safety.

Marriage for Checking and Saving?

It may become difficult to tell a savings account from a checking account in the 1980s, if legislation to revamp the nation's savings and loan and banking operations receives a favorable nod from Congress.

Major recommendations for the revamping were highlighted in the Hunt Commission report to the President. They included phasing out Regulation Q, which sets the interest rates banks may pay, and authorizing checking accounts and greater consumer loan latitude for S&L's and other thrift institutions.

Says Frederick Deane Jr., president of the Bank of Virginia Co., a Richmond-based multibank holding company:

"Frankly, I believe that by 1980, if not before, the distinction between checking and savings accounts should vanish. We will simply pay interest on deposited funds. The basic limitation will be the maturity schedule—how long the money stays with us."

Securities, by Any Other Name

Regulated carriers are going to have to tell the Interstate Commerce Commission a lot more about their financing, because ICC has expanded the scope of the term "securities."

In the past, ICC defined securities for its purposes as stocks and bonds, or notes and other similar agreements. Many types of debt were not reported to the Commission.

But no longer. Stating that "economic evolution is a fact of life," the Commission now construes securities as "including all agreements which create a present or future interest in, or indebtedness of, a carrier, or in property owned, leased or otherwise employed by a carrier."

In this category now are loan agreements, credit arrangements, mortgages, advances, deeds of trust, equipment trusts and security agreements "whose terms provide for other than full payment at the time of consummation."

ICC says that carriers have developed such financial instruments into mainstays of long-term financing.

U.S. Exporters' Unique Handicap

For almost 56 years, American businessmen have had authority to form trade associations permitting them to compete as exporters on a more even footing with European nations and Japan. But fear of antitrust action has held them back.

Now this fear may be dissipated, because legislation that would clarify the Export Trade Act (Webb-Pomerene Act) of 1918, stands a good chance of passage. Key bill is S 1483, introduced by Sen. Daniel K. Inouye (D.-Hawaii), which businessmen say is the best way to rejuvenate the 1918 Act.

Designed to encourage trade associations as a means of exploiting foreign market potentials, the Act offers antitrust immunity to U.S. firms which join together to market complete export packages (including technology, equipment, commodities and financing). The major problem has been the vagueness of some portions of the Act, which over the years have been subjected to administrative and judicial rule-making. With no definitive standards for what's permissible, businessmen have been understandably reluctant to go out on a limb.

A General Accounting Office report in late August chided federal agencies for not sufficiently promoting the Act or encouraging businesses to form export trade associations.

Testifying before the Senate Commerce Committee, William J. Barton, an international business-government relations expert, said an analysis of business practices by the Chamber of Commerce of the United States disclosed "that the U.S. is the only country in the world that applies its national antitrust laws on an extraterritorial basis . . . [restraining] its exporters from combining . . . to make sales outside the U.S. beneficial to the whole country."

editorial

The Pundits and the People

Early this year the political pundits were loudly proclaiming that a hostile Congress was going to ride roughshod over a Watergate-weakened President.

He would be clobbered, they said.

But on the issue that perhaps matters most, this has not been true.

The people want federal spending held down, and four of the bills the President has vetoed this year have been big-spending measures that would have squandered the people's taxes.

In none of these cases has Congress been able to override the President's decision.

When the public interest is at stake, it seems, the people speak louder than the pundits.

NATION'S BUSINESS • NOVEMBER 1973 • MORE THAN 875,000 SUBSCRIBERS

TO BUILD A BUSINESS INSURANCE PROGRAM, LOOK UP

Just-completed USF&G Building, Baltimore, Maryland

YOUR USF&G AGENT IN THE VERY NEAR FUTURE.

And your future starts looking up as soon as your USF&G agent structures your protection program. Coverages? From office buildings and factories to retail outlets and warehouses. From casualty and fire insurance to commercial multi-peril insurance. From business life and health plans to fidelity and surety bonding. Your USF&G agent is the insurance professional . . . an independent businessman of highest calibre who can cover them all . . . and offer additional insurance plans for businesses or individuals. Consult him with confidence as you would your doctor or lawyer. Your USF&G agent is your man to build with. He's listed in your Yellow Pages.

THE USF&G COMPANIES

Baltimore, Maryland. Casualty/Fire/Marine/Multi-Line/Life/Health/Group Insurance/Fidelity/Surety Bonds

Did you know your car could have built-in reflexes?

Some drivers will always be better than others. But thanks to advances in electronic technology, all drivers will be better some day because their autos will have built-in reflexes.

Drivers will have electronic devices to control skidding, detect highway hazards, warn of malfunctions—all automatically.

Electronic improvement of the automobile is almost limitless. By 1980 auto manufacturers may be spending as much on solid state electronic systems as on engines. Even so, electronics should eventually lower the cost of running a car.

Today, RCA provides the auto industry with components for the new electronic ignition systems. Tomorrow, we will provide a variety of other advances—such as electronic devices to replace inefficient mechanical methods of fuel mixture, which will cut energy consumption and aid in emission control.

Electronics is creating ingenious new ways to enhance life. And RCA, which helped create the technology itself, is still pioneering the electronic way.

The electronic way

RCA